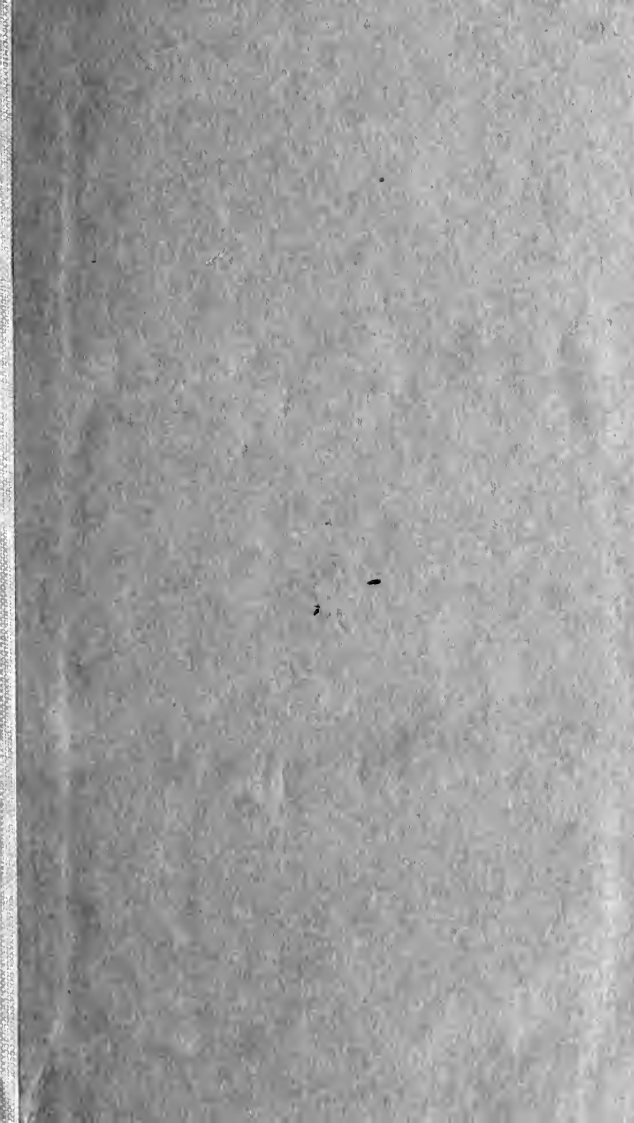




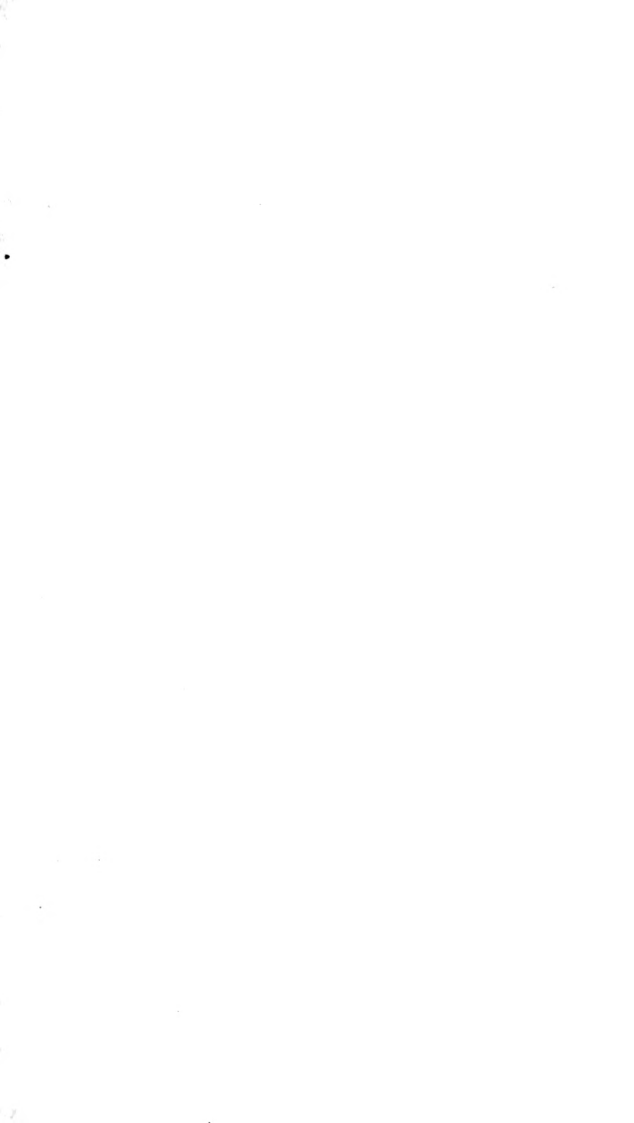
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the 18th century; with comparative estimates
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Thornton's (H.) Enquiry into the Nature and
effects of the Paper Credit of Great Britain.
Lond. 1796.

1

A
L E T T E R
TO THE
RIGHT HONOURABLE
W I L L I A M P I T T,
ON THE INFLUENCE OF THE
STOPPAGE OF ISSUES IN SPECIE
AT THE
BANK OF ENGLAND,
ON
THE PRICES OF PROVISIONS,
AND OTHER COMMODITIES.

—•*•—
THE SECOND EDITION,
With additional Notes; and a Preface,
Containing Remarks on the Publication of
SIR FRANCIS BARING, BART.

—•*•—
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BY WALTER BOYD, Esq. M. P.

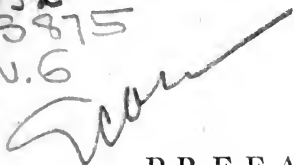
London:
PRINTED FOR J. WRIGHT, PICCADILLY; AND J. MAWMAN,
FOULTRY :
By T. Cillet, Salisbury-square.

1801.

[Price Five Shillings.]



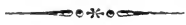
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P R E F A C E

TO THE

F I R S T E D I T I O N .



SINCE the following letter was written, several circumstances have occurred to corroborate the facts and reasonings which it contains.

By the return to an order of the House of Commons, it appears that the amount of Bank-notes in circulation, on the 6th of December, 1800, was 15,450,970l., which exceeds the sum in circulation on the 26th February, 1797, (viz. 8,640,250l.) by nearly four-fifths of that circulation. Compared with the average circulation of three years, ending December, 1795, (viz. 11,975,573l.) the circulation on the 6th December, 1800,

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exceeds that average circulation by nearly three-tenths of its amount.

But, from the mere return of Bank-notes (without that of the balances on the books, for which the Bank is likewise liable, and of the specie in its coffers), no accurate estimate can be formed of the positive difference between the present and the former circulation. There may be objections to the communication of any *specific account* of the specie on hand; but there can be none to such a return as, without specifying any sums, may ascertain the *proportion* which the specie existing in the Bank on the 6th December, 1800, bears to that which existed on the 26th February, 1797.

The exchange with Hamburgh which, when the following letter was written, was 31.10, is now 29.10; by which means the difference which then existed, of nearly nine
per

per cent. against our currency, is now increased to upwards of 14 per cent. If therefore a person residing on the continent, remit funds to this country, to be invested in the three per cents. at the price of 62, it is evident that by purchasing the money so remitted, at 14 per cent. discount, the real price of his three per cents. will be 53 eight-twenty-fifths, or nearly 53 one-third.

The price of gold has fortunately not advanced, in the same proportion, within the same period; the price, which, on the 11th November, was 4l. 5s. per ounce, being now 4l. 6s., which is a further advance of a little more than one-sixth per cent., thus making the whole premium upon gold 10l. 3s. 8d. for every 100l. or something more than ten five-twelfths per cent.

These circumstances, however afflicting, ought not to be considered as matter of dependency,

pondency, seeing the mere conviction of their having all arisen from one great error, if strongly felt, will, with the energy and resources of the country, properly called forth, infallibly lead to the means of retrieving that error.

In considering the influence of the operations of the Bank of England on the powers of the circulating medium of the country, I have taken no notice of the capital of that establishment, because it forms part of the public debt, which is altogether distinct from that medium.

31st December, 1800.

ERRATA.

Page 15, line 9, between the words "diminution means," insert "of."
 Same page, last line, between the words "deserving the," insert "of."

P R E F A C E
TO THE
S E C O N D E D I T I O N .



THE following little work having excited a degree of attention, which the importance of the subject alone can account for, I avail myself of the opportunity, which the call for a second edition affords, of adding a few notes, suggested by the observations which have been communicated to me, through various channels, and for still more various purposes. In these notes the principal objections which have been thrown out in the anonymous tracts, to which my book has given rise, I have endeavoured to obviate, without taking any notice of the personal abuse with which many of them are accompanied.

But

But the observations on my Publication by Sir Francis Baring are entitled to a more particular examination. Entertaining sentiments of personal respect for that gentleman, and impressed with an opinion of his knowledge of all matters relating to the subject of my Letter to Mr. Pitt, it was not without regret that I learned, by a private intimation, soon after the appearance of it, that Sir Francis's opinion was very different from mine; but it was regret unmixed with any portion of surprise or disappointment. The recollection of the work which he published, soon after the stoppage of the Bank in 1797, taught me to consider such a difference of opinion, on the present occasion, as a natural consequence of the very different ideas we then entertained.

Sir Francis informs his readers that he comes forward, upon this occasion, in order to do away the impression which he finds my
work

work had made in certain circles. He says that “ a considerable portion of my Letter “ contains facts and arguments which are in- “ disputable,” and that “ no intelligent per- “ son can doubt but that when paper circula- “ tion is pushed much beyond reasonable and “ proper bounds, and that Bullion disappears “ in a comparative degree, the prices of all “ commodities (including provisions) must “ feel the effects.” Sir Francis having thus admitted the principle upon which my reasonings chiefly rest, it remains for me to consider, whether the present state of the circulation of the country be such as to warrant my ascribing to the operation of that principle, the effects which, supposing it to operate, would, by Sir Francis’s own acknowledgment, infallibly result from it.

In all discussions, it is of peculiar utility to define the *terms*, which are made use of by the parties who engage in such discussions. I

have to lament that this useful precaution has not been attended to by Sir Francis Baring, who has left his Readers to *conjecture* what he may understand by a Paper-circulation “push-
 “ed much beyond reasonable and proper
 “bounds.” These terms are certainly too vague and indeterminate for a discussion of this nature. It therefore becomes necessary to try them by, what I conceive to be, the true standard of all Paper-circulation.

I have laid it down, as a principle, that there is but one criterion by which the issues of paper can safely be regulated, *the condition of its immediate conversion into specie*. All attempts to ascertain, by any *other* standard, the quantity of paper which the circulation of a country may require, or can bear, without inconvenience, must necessarily partake of an uncertainty and a danger similar to those which would attend the voyage of the mariner who should venture to sea, without chart or compass.

With

With this criterion, for our guide, let us consider the state of the circulation of the country, previous to the 26th February 1797, and compare it with it's present state. The first consisted entirely of Gold and Silver—I say *entirely*, for all Bank of England Notes, all Country Bank Notes, all Banker's Balances, were payable either directly in gold and silver, or in paper which was *immediately* and *unconditionally* convertible into those metals. This was the case not only with regard to those important parts of the circulating medium, but also with respect to the whole negotiable paper which that medium circulated, as well as the produce of all sales of goods and property of every description. In that period, did any man's confidence in Bank-notes begin to waver? The immediate conversion of his paper into Gold afforded a speedy and effectual cure for his idle fears. Did any man suffer similar conceits to enter his mind with regard to Exchequer-bills? In the short period of

half an hour, he could convert his Exchequer-bills into Bank-notes, and his Bank-notes into gold. Thus every species of paper entitled to confidence, every sort of saleable property, could be converted into that universal standard of value, which can, at all times, lay distrust and suspicion asleep. Such *was* the circulation of the country, before the 26th February 1797. *Now*, this beautiful and magnificent fabric, the admiration and envy of surrounding nations, exists only in remembrance ; and, in its stead, we find a system so different, not to say opposite, that no sophistry, however ingenious, no credulity, however complaisant, can possibly identify them with, or even assimilate them to, each other.—The circulating paper of the Bank of England, that of the Country Banks, Banker's Balances, and all negotiable paper which these constituent parts of our currency circulate, as well as the produce of all sales of property of every description, are now no longer convertible into specie,

specie, except the small notes of the Bank of England, which amount to about two millions. So much for the change in the *quality* of our circulating medium. With regard to its *quantity*, the only public document existing demonstrates an increase, in that part of it which consists of Bank-notes, of nearly 3-10ths, and warrants the inference of at least an equal augmentation of the other parts. If this change of composition and increase of quantity be not sufficient proofs of paper-circulation being “pushed beyond reasonable and proper bounds,” I confess I know not what proofs will be deemed sufficient.

Whether Bullion have or have not “disappeared in a comparative degree,” I think I may fairly leave to the decision of every candid mind, without any farther attempt, on my part, to ascertain that point, after what I have already stated on that subject. Thus, if I have reasoned justly from the principle which
the

the Honourable Baronet himself acknowledges to have been “ the alphabet of every financier “ and merchant, for above a century,” I am warranted to say, that the effects which I have ascribed to the present state of the circulation of the country are precisely such as it necessarily tends to produce. But Sir Francis will probably contest the explanation I have given to that principle ; for he dwells with growing astonishment upon the insignificant augmentation of three millions and a half, in the circulation of Bank-paper, being assigned as the chief cause of so great a rise in the prices of provisions and other commodities. Sir Francis Baring is not to be told, that every thing in the world is only *relatively* great or small. Instead of holding, up what he calls a small augmentation, as totally inadequate to the effect attributed to it, Sir Francis would have thrown more “ light on the subject,” if he had considered the *proportion* which that small augmentation bears to the amount of the former

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mer circulation ; especially if he had also allowed to the *change in the quality and the shortness of the period in which the augmentation of the quantity of the means of circulation had taken place*, that weight which these circumstances justly deserve, and which, in every part of my work, is uniformly ascribed to them. If Sir Francis had attended to my reasoning, with the care and reflection which a subject so serious and important required, he would not have represented me as having attributed to the *mere augmentation of the quantity of Bank-paper* the general increase of price, which that reasoning attributes to *the united operation of the augmentation of the quantity ; the shortness of the period in which that augmentation has been effected ; the change in its composition ; and the influence of that augmentation and change on the whole superstructure of paper which is built upon it.*

But

But Sir Francis says that my “ facts and
 “ arguments ought to be clear and incontro-
 “ vertible, for they tend to lessen that confi-
 “ dence which has hitherto been reposed in
 “ the circulating paper of the Bank of Eng-
 “ land.”—Do they so ! Then they operate in
 a manner very different from that in which I
 meant they should operate. I never said that
 Bank-notes did not deserve confidence—I
 never thought so—I never meant, nor wish-
 ed, to convey so false and absurd an idea. Far
 from having said so, I have declared positively
 “ that the paper of the Bank of England, in
 “ its present state, unites, in a higher degree
 “ than any other paper, not convertible into
 “ specie, that ever was circulated in any
 “ country, *all the qualities which entitle it*
 “ *to confidence.*” Does this declaration tend
 to lessen the confidence of the Public in the
 paper of the Bank ? Was it possible to express
 myself in terms better calculated to guard my
 meaning

meaning against misapprehension ? The solidity of the Bank of England is so unquestionable—the resources which it possesses are so immense—its titles to confidence are so numerous and strong, that I have declared it publicly to be my opinion, that not only there never was any real necessity for suspending the payment of its notes, but that the resumption of the payment of them is perfectly safe and practicable. Does this language tend to lessen the confidence of the public in the circulating paper of the Bank of England ? Does it hold out (as has been insinuated in many a venal and illiberal page, which Sir Francis, I am sure, treats with merited contempt) *a dispiriting picture of the resources of the Bank and of the Country ?* They who maintain that the continuance of the present system is necessary, do indeed present a dispiriting picture of both. They who maintain that the prosperity of this great country, rich in the possession of exchangeable property and real capital infinitely

beyond any other country under heaven, depends upon the continuance of a system so exceptionable as that of the circulation of Paper not convertible into Specie, not only hold out a dispiriting picture of the Bank and of the Country, but libel the loyalty and public spirit, the good sense and judgment of Englishmen.

While I thus vindicate myself from the charge of having advanced facts and arguments tending to lessen the confidence of the public in the circulating paper of the Bank of England; and while, from the knowledge which the public has of the immense surplus-wealth which it possesses, the Bank is, strictly speaking, altogether beyond the reach of any such criminal purpose, had I ever entertained it; I do not the less feel, I do not the less declare my perfect conviction that, by the suspension of issues in specie (a novelty so utterly repugnant to every principle of sound œconomy,

nomy,

nomy, so irreconcilable to all those ideas of confidence upon which the good sense of this country built the whole Banking-system, the source of so large a portion of its prosperity) a great and unnecessary blow was given to the credit of the Bank and of the Country. The solvency of the Bank is a point which I never dreamt of agitating, much less of doubting. The influence of its paper circulation, as now conducted, upon the prices of provisions and other commodities, is altogether a distinct question : and if, in treating it, I have laid down no principle repugnant to the soundest theory ; if I have assumed no fact unwarranted by the strongest probability ; if I have reasoned from no effect which does not notoriously exist ; if I have drawn no conclusion which my premises do not warrant—finally, if I have inculcated no doctrine of which I do not myself feel the most complete conviction ; I may lament that my talents have been inadequate to the importance of the subject ; but

I shall have the satisfaction, in that “ inevitable hour” which equally awaits us all, of reflecting that in the work which has drawn upon me so much obloquy and misrepresentation, there is

“ No line which, dying, I would wish to blot.”

But “ my facts and arguments tend to induce the public to believe that the excessive dearness of provisions arises from the circulation of Bank-notes.” To induce the Public to believe that the dearness of provisions arises from any other causes than those which really produce it, is to mislead the public ; to divert its attention from the real sources of the evil to imaginary ones, and consequently to prevent the application of the remedy which alone can cure it. Believing, as I do, that an increased circulation of Bank-notes, *not convertible into Specie*, has contributed more than any other cause to the present high price of provisions, and that it is the only adequate

quate Cause which has been, or can be, assigned for the rise in the price of every thing which has taken place within the period in which *such increased circulation* has existed, I have fairly, candidly, and, I trust, without heat or intemperance, laid before the Public the grounds on which my belief rests. If these grounds be really so narrow and weak as Sir Francis Baring's reasoning would represent them to be, there is little chance of my doctrine being "effectually disseminated," or "universally believed." But "the ignorant, and more particularly the half-informed" (says Sir Francis) are too much disposed to "place confidence in a *name*." Does Sir Francis really believe that the confidence in a name, now almost synonymous with misfortune, and of which the bare mention calls up only ideas of disaster and distress, is sufficient to establish, even with the most ignorant, opinions *founded in error*, in opposition to the authority

thority of Administration and the Bank of England ?

But, says Sir Francis, the Public may be induced, by my facts and arguments, “ to seek
 “ for relief by the reduction or suppression of
 “ Bank-notes”—And what then ? Why then,
 Sir, “ the ingenuity of man could not ad-
 “ vert to means more likely to produce ge-
 “ neral embarrassment.”—Indeed ! general
 embarrassment from the reduction of Bank-
 notes ! and yet Sir Francis, in another part of
 his work, expresses his surprise that I should
 attach so much importance to the magnitude
 of the sum now in circulation, when “ I must
 “ be aware of the *facility* with which it can
 “ be reduced.” How the reduction of Bank-
 notes should, in one part of his work, be con-
 sidered as the most likely means to produce
 “ general embarrassment,” and, in another, as
 capable of being effected with so much “ fa-
 cility,”

cility," is, I own, above the reach of my comprehension.—Leaving Sir Francis to reconcile this apparent contradiction, I shall now only observe that, whatever notions he or others may entertain of the *facility* of cutting off one-third of the circulating paper of the Bank of England, *I* never did, and certainly never shall, entertain any such notion. To tell his Readers, that in order to reduce 15 millions of Bank-notes to 10, the Minister has only to add five millions to the annual Loan, is really to suppose them "half-informed" or "ignorant" beyond the most exaggerated idea which can be formed of half-knowledge or ignorance. For, if it be so easy a thing to reduce 15 millions to 10, it cannot be much more difficult to reduce 15 millions to nothing; and yet it must be obvious, that no such reduction can possibly be carried suddenly into effect, without producing that general embarrassment which Sir Francis deprecates so strongly, and so justly, in another part of his work.

But

But Sir Francis “ hopes to *prove* that the “ paper issued by the Bank has never exceeded the wants and even the convenience of “ the Public, still less that it has operated to “ produce any advance in the price of provisions.” In proof of this assertion, Sir Francis takes the average-circulation of three years, ending in December 1795, which he finds to be only 3,500,000*l.* less than the Return on the 6th December, 1800, and “ the comparative insignificance” of this addition, he says, is, *of itself*, a complete answer to every argument of mine. Sir Francis is peculiarly unfortunate in the epithet, which he has made use of on this occasion. He might have talked of the “ insignificance” of the addition, without exciting the only idea which tends to destroy that insignificance: but by forcing upon the observation of his Reader “ the *comparative* “ insignificance” of the addition, he leads him immediately to examine, by *comparison*, whether the term “ insignificance” be properly applied

plied or not, and the result of his enquiry is, that the circulating paper of the Bank of England, whereof the maximum at the end of 103 years was twelve millions, *constantly convertible into specie*, has, in the short space of four years, been increased to fifteen millions and a half, while only one poor seventh part of it is convertible into cash; and yet Sir Francis Baring tells us exultingly that this augmentation is “*comparatively insignificant.*” Three millions and a half, make no doubt but an insignificant figure when compared with either the National Debt or the National Revenue; but when considered in its relation to its true point of comparison, *viz. the amount of the Circulation previous to the increase*, it no longer deserves the epithet “*insignificant*” —on the contrary, it then appears to be, what it really is, a *very great augmentation*, being nearly one-third of the former amount. An augmentation of the circulating medium produces upon the prices of the objects to be cir-

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culated

culated an effect somewhat similar to that which an addition to the multiplier produces upon the product of the sum multiplied. Let the multiplicand be supposed to be 100, and the multiplier to be 12, the product in that case will be 1200; but if, instead of 12, the multiplier be $15\frac{1}{2}$, the product will be 1550: and the difference between the two products will be 350. In this case the small addition of $3\frac{1}{2}$ to the multiplier produces the same effect on the product which an addition to the multiplicand of 29 one-sixth would produce. When Sir Francis Baring treated with so much contempt an augmentation of three millions and a half, he should have remembered that it was not in the *objects of circulation* but in the *circulator*, that this augmentation had taken place. It is the more remarkable that this should have escaped his observation, as he has introduced a simile, which ought to have forced it upon his notice. He expresses his astonishment at the smallness of the

the

the sum which serves as a circulating medium for objects of such immense magnitude, and yet, he treats with sovereign contempt the effects of an augmentation of nearly one-third of that small sum. Comparing the influence of the Bank of England on the Agriculture, Commerce, and Finance of Great Britain to the influence of the Sun on every part of the Globe, and expressing the wonder and astonishment with which we consider the small space which the Sun appears to fill in the firmament, he forgets to estimate the effects which an addition to the heat of the Sun, of nearly one-third, would produce upon the plants and animals which the Globe contains.

But Sir Francis is “ inclined to think that, “ after considering the whole of the publica- “ tion *maturely*, and combining its various “ parts, Mr. Boyd is himself of opinion that “ there is rather a *want*, than a *superabun-* “ *dance* of paper, to answer the purpose of a

“ circulating medium.” In support of this assertion, Sir Francis appeals to the papers printed in the Appendix, containing the Resolutions of a Meeting in 1796, on the means of remedying the scarcity of money which then existed, and the Report of a Committee, containing a plan for that purpose.—These papers, which Sir Francis calls “ a plan for a new Bank, in April, 1796, (and which, he says, are no doubt inserted for some purpose, although no mention is made of it in the letter,)” were inserted in my Appendix for the *express* and *declared* purposes of proving, 1st, the existence of the scarcity of money in 1796; 2dly, the purity of the principles upon which a remedy for that scarcity was devised; and 3dly, the perfect correspondence of the doctrine then laid down with that which appears in the Letter to Mr. Pitt. They were published in order to establish the truth of certain points alluded to in the text of my letter, and to prove (what is not certainly

tainly the prevailing weakness of the present day) the uniform consistency between my sentiments and doctrine at two periods of my life, which form the most perfect contrast with each other ; and these papers, *published with this, and with no other view whatever*, Sir Francis Baring has not scrupled to consider and to hold out to the world as a project, for remedying, by the creation of additional paper, the evil of a *superabundance* of paper of which I complain. If Sir Francis seriously believed what he thus seriously gives to the Public, he must have considered my book, not “ maturely,” but with a degree of inattention which is not less extraordinary than the conclusion which he draws from the papers in question ; a conclusion which nothing in them, in any respect, warrants, and which is in direct opposition to every line of the work on which Sir Francis has thought proper to publish his *Critique* to the world. But if, as I suspect, Sir Francis meant this part of his

his

his work as a mere piece of raillery, calculated to represent me in the ludicrous light of a projector professing to *diminish* paper by *augmenting* it, I shall be the last man to attempt to mar the mirth it may occasion. This is all I shall say upon this part of Sir Francis's work, except to remark, that his observations upon the nature and tendency of the plan of 1796 contain the most irrefragable proofs that Sir Francis has not considered it with attention, otherwise he could not have so completely misconceived and misrepresented it.

The observations which Sir Francis has introduced on the subject of Exchanges and the price of Wheat are altogether irrelevant to the subject of my Letter to Mr. Pitt.—They proceed upon the mistaken idea of my having advanced that the rate of Exchange influences the price of Grain grown in this Country—I never said so—Not a word in my book, from beginning to end, authorises such an idea.

The

The premium on Bullion, the low rate of Exchange, and the high prices of commodities in general, I have mentioned as symptoms and effects of the superabundance of paper; but I have no where said that the high price of one commodity occasions the high price of another commodity totally unconnected with it; or that the low Exchange with Hamburgh occasions the high price of Effex-wheat. Both of them are influenced by one common cause, but it does not therefore follow that either of them influences the other.*

Sir Francis says that I am, “ perhaps, not aware how my own quotations and arguments may return upon me in a few days.” If Sir Francis mean that the improvement of our Exchanges may probably overturn my

* If, however, I *had* said that the price of home grown-corn would naturally find its level with that of corn imported, under the disadvantage of an unfavourable exchange, I should not have advanced any thing revolting to common sense.

system, I shall only say that “ ’tis a consummation devoutly to be wished,” and which no man will rejoice so much to see as myself. The honourable Baronet is not aware that this sort of overthrow would probably lead to, what I have much more at heart than the success of any system of mine, the resumption of payments in Specie at the Bank, to which measure nothing would more effectually conduce than the return of the Exchanges to their natural level.

In order to form the most complete contrast between the insignificant addition to the circulating medium, and the immense addition to the national debt, Sir Francis says, that “ while the Minister contemplates with so much satisfaction the growing prosperity of the country, *arising out of an addition to the National Debt of near three hundred millions,* Mr. Boyd attributes famine and prospective ruin to an addition of three millions and a half

“ half to the paper circulation of the country.” I have listened to the language of the Minister to very little purpose, if he ever attributed the growing prosperity of the country to the addition made to the National Debt. He may have, and, I dare say, has, frequently considered the addition to the public debt as a proof of the undiminished and increasing prosperity of the country ; but he certainly entertains too just ideas on such subjects, to assert that the increase of the public debt is the *cause* of that prosperity. He may have contemplated with satisfaction the immense resources of the country, which have admitted of such an addition to the public debt ; but I cannot believe that he ever said that the prosperity of the country “ arose out of that addition.” The debt has increased, because the country has been prosperous ; but the converse of the proposition does not hold, that the country has been prosperous, because the debt has been increased.

However loth to fatigue the Reader with repetitions, I must again call his attention to what does appear to me a most extraordinary circumstance, that Sir Francis constantly animadverts upon my Letter to Mr. Pitt as if it implied suspicions of the *situation of the Bank, in point of solvency*, or apprehensions of inattention, on the part of the Directors, in the employment of its funds. He “cannot (says Sir Francis) do more than repeat his surprize, that it should enter into the mind of any intelligent man to entertain a doubt with regard to the present situation of the Bank, by comparing that situation at different periods; especially as they have been enabled to receive large deposits in gold for a great length of time, and which still must remain in their coffers.” What can I do more in my turn, than again express my surprize that a Gentlemen of Sir Francis Baring’s talents and candour should direct his arguments against doubts no where expressed
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in the pamphlet which he examines ! I have no where said, that the Bank has issued a single note, without receiving its corresponding value. I have not made use of a single expression which can fairly admit of such an explanation ; and I can declare, with truth, that no idea of that kind, or of any thing like a doubt of the situation, of the Bank, in point of wealth and solvency, ever entered my mind. My enquiries have not been directed to the state of the affairs of the Bank, as a debtor of fifteen millions and a half of notes (possessing twenty millions for paying them besides its capital of 11,686,800l.)—'Tis the influence of those fifteen millions and a half of paper, destitute of the condition of being payable in specie, upon the prices of provisions and other commodities, that I have endeavoured to impress upon the minds of my Readers. If I were to form an opinion of the success of my endeavours, from the effect which they appear to have produced upon the

mind of the honourable Baronet, I should lament, still more than I do, the inadequacy of my abilities to the subject which I have attempted to explain.

Sir Francis says, that he cannot “guess
“in what manner Bank-notes, which circulate at par, contribute, by any possible
“means, to raise the price of provisions.” For what purpose then did he acknowledge, that when paper is “pushed beyond reasonable and proper bounds, the prices of all
“commodities, including provisions, must
“necessarily feel the effects”? Why declare this doctrine to have been “the alphabet of
“every financier and merchant for a century?” Or was this acknowledgment intended to mean no more than that the prices of commodities never can be affected by the circulation of paper, as long as such paper is not positively at a discount, when exchanged for coin? If this be really Sir Francis’s opinion,

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nion, he might have spared both himself and me a great deal of trouble, by stating it at once *in limine*. I should then have had less reason to complain of the want of precision in *terms*; and of course his objections, as well as my replies, would have shrunk within very narrow limits indeed. If this opinion of Sir Francis's be well founded, what are we to think of the depreciation of money which all statesmen, as well as all writers on public œconomy, so frequently mention, and which has manifested itself in the advanced prices of commodities, through all the various periods of our history, long before the stoppage of the Bank was ever dreamt of? Has not this depreciation been constantly attributed to the augmentation of money, or of its representative signs? And has not this depreciation taken place, not only while Bank-notes were not at a discount, either real or virtual, but while they were constantly convertible into coin? If this be so, (as I presume Sir Francis will

will readily acknowledge) he must likewise acknowledge, that paper circulation may influence the price of provisions, although such paper be not at a discount, when exchanged for coin. The natural tendency of money to depreciation from the increase of it, or of its representative signs, I have admitted to be a principle invariable as the law of gravitation. I have declared that I did not mean to impute to the Bank Directors “ the inevitable consequences of an irresistible cause” ; but because money, or paper convertible into money, has a tendency to a gradual and almost imperceptible depreciation, of which the effects become apparent only in a long series of years, does it follow that recourse may safely or wisely be had to a system of circulation, of which the effect is to augment the rapidity of that tendency, and to produce, in four years, such a diminution in the value of money as would not naturally take place in twenty ?

But,

But, says Sir Francis, no person makes “ the slightest difference in the price for “ which he sells his goods, whether the pay- “ ment be made in gold, or in Bank paper.” This is a very *trite* observation ; and people little acquainted with the subject of circulation generally resort to it, as an unanswerable argument, against the possibility of the depreciation of paper. I should certainly have been astonished at its coming from Sir Francis Baring, if he had not prepared me for it, by saying, that “ he could not guess how Bank-notes which circulate at par can contribute by any possible means to raise the price of provisions.”

My answer to the last observation shall be very short. The *current* value of Bank-notes and of gold is the same, and the diminution of real value occasioned by the change and augmentation of our general currency, extends equally to the small quantities of coin which still continue to circulate, as part of
that

that currency. There is no real distrust of Bank-notes; and therefore the few guineas which occasionally appear, having no greater value *in exchange*, than a corresponding sum in paper, of course there cannot be any difference in price, because a few guineas happen to make part of that price. But although no person make any difference of price on this account, I submit to any man, who candidly attends to the operation of cause and effect, as explained in my Letter to Mr. Pitt, whether *that price* would not have been very different, if the change which has taken place in our general currency had never existed. As if all that he had said previously on the subject of the insignificant sum of £.3,500,000 had not been sufficient, Sir Francis (in pages 23 and 24) recapitulates the effects which, he says, I have attributed to this sum, in a climax calculated to raise in the reader's mind the various degrees of surprise, until they reach the very acmé of astonishment, at my having ascribed
the

the rise of the stocks from $53\frac{1}{2}$ to $64\frac{1}{2}$ to the influence of this same insignificant sum.— This operation upon the reader's mind being supposed to be accomplished, Sir Francis says, that when “ he reads this from the pen of “ Mr. Boyd, he hesitates and doubts his own “ knowledge and judgment ; for he cannot “ understand how it is possible for the sum of “ three millions and a half to produce any “ one of the three effects which have been “ mentioned, still less to accomplish the “ whole, and indeed objects diametrically opposite to each other.” On the smallness of the sum, I think I have already said more than enough to demonstrate, to the conviction of any mind disposed to be convinced, that the sum of three millions and a half, as well as every other sum, is only *relatively* small or great, and that, viewing it merely as an augmentation of nearly one-third of the former amount of Bank-notes, (*even without estimating the important change in the quality of the paper, and the short period in which the augmentation*

F *mentation*

mentation has taken place) it cannot, without violating every idea of proportion, be considered as an *insignificant* addition. But Sir Francis considers some of the effects which I have attributed to it, as objects “diametrically opposed to each other.” If, by this expression, Sir Francis mean that these effects are in their nature and tendency calculated to destroy each other, I must take the liberty to differ from him, *toto cælo*. For, if the augmentation and change of our currency, tend to lower the exchange, or (in other words) to raise the price of foreign money, when compared with ours; if it tend to raise the price of commodities in our markets, it must likewise tend to raise the price of stocks. If it tend to produce any one of those effects, it must, of necessity, tend to produce them all. But Sir Francis may, perhaps, be able to assign some particular reason, (of which I confess I am altogether ignorant) why the same cause should not, when operating on various objects, produce similar effects. Sir Francis’s astonishment appears to be greater
with

with regard to the influence attributed to our paper-circulation upon the price of stocks than with regard to any other of the effects attributed to it ; and yet, in my mind, this is the effect, of all others, which seems the most palpably obvious and striking, and which, to a person so perfectly acquainted with the influence of money upon the price of stocks, ought, it should seem, to appear the least paradoxical. I submit to his candour, whether such a reduction of the means of circulation, as he says, may be effected with so much “ facility,” by funding five millions of Bank-notes, would not produce an important *fall* in the price of the funds.—If he acknowledge (as I am sure he will) that such a *reduction* would inevitably produce a great *fall*, he will not, I think, deny, that a considerable *rise* may have been produced by an addition of three millions and a half.

Sir Francis says, “ if I mean that a larger sum has been issued than what has been

“ stated in the return from the Bank to
 “ the House of Commons, I ought to
 “ speak out.” I am sure the Honourable
 Baronet is incapable of intentionally in-
 sinuating any thing which might injure
 me with the public, and yet the bare sup-
 position, however delicately put, that per-
 haps I mean, that the Directors of the
 Bank of England may have given a false
 return to an order of the House of Com-
 mons, does certainly tend to represent me
 as capable of *conceiving at least* ideas of un-
 heard-of turpitude.—I never meant, or sup-
 posed, that the Return from the Bank was
 not scrupulously just and accurate. I have
 not feared to tax the Bank Directors with
error—I never thought them capable of *in-*
tentional delinquency.

Having thus declared what I did *not*
 mean, I shall, with equal frankness ex-
 plain (if any thing so perfectly plain can
 be supposed to require explanation) what I
 did

did mean, in that part of the Preface to the first edition of my Letter to Mr. Pitt, which I imagine may have occasioned this insinuation, so unworthy of the Bank Directors and of me. After stating the return of Bank Notes, on the 6th Dec. 1800, I conceived it to be necessary and consistent with the view which I had taken of the circulation of the Bank, both *active* and *passive*; to say, that “from the mere return of Bank-notes, (without that of the balances on the Books, for which the Bank is likewise liable, and of the specie in its coffers) no accurate estimate can be formed of the positive difference between the present and the former circulation.”

Having, in the statement of the circulation of the Bank, as contained in my Letter to Mr. Pitt, calculated upon the balances on the books of the Bank, and
on

on the specie supposed to remain on the 26th February, 1797; it certainly did follow, that, in order to form an accurate comparison between the amount of the then circulation, and that of the 6th December, 1800, it was necessary to be possessed, not only of the amount of Bank Notes, *but of the balances on the books, and of the specie.* But, did this most natural observation warrant the supposition, that I doubted the accuracy of the return of Bank-notes to the House of Commons?—The return to the order was, I am persuaded, perfectly accurate;—but, the order did not extend to all the points which appeared to me to be necessary, to enable any man to form a just comparison between the circulation at the two periods in question.

The Bank could only make a return to the order which had been communicated; but, if the order had extended to all the points,

points, there is no doubt, that the return would, on all those points, have been perfectly accurate.

But Sir Francis says, that “ neither the
 “ Directors of the Bank, nor the public,
 “ will be *displeased*, if I can make good the
 “ assertion, that the advance in the price of
 “ Stocks, has been produced by the increase
 “ of Bank-notes.”

What arguments may be necessary to carry conviction, on this point, to the minds of the Bank Directors, and of the public, I really cannot pretend to determine. I have used the best which occurred to me, and have studied much less what would not displease, than what ought to be communicated.—If I have failed to please, I must regret the loss of their good opinion; but, if I had said only what was calculated to please, I should certainly have forfeited my own.

Having

Having thus considered in detail, the arguments adduced by Sir Francis, in opposition to the interpretation which he has thought proper to give of mine, it remains to say a few words, on the recapitulation with which he concludes his observations.

Sir Francis says, that “on some occasions, “the principles I lay down, are generally “and theoretically admitted, and that it is “against the manner in which I apply them, “as well as the conclusions which I draw “from them, that he objects.”—What those occasions are, he has not stated; but, I suppose, that what he principally alludes to, is the doctrine of the tendency of Paper-circulation, “when pushed beyond reasonable and proper bounds,” to influence “the “prices of all commodities, including provisions,” to which Sir Francis has unequivocally subscribed; and, that my application of, and conclusions from, that doctrine, are
what

what he principally objects to. If Sir Francis's *assertion* be admitted, as proof that this principle, though true in itself, does not apply to the present circumstances of our circulation, to be sure there is no contesting the point. He certainly has said so; but, if any thing that wears even the semblance of *proof* be expected, the reader will assuredly be disappointed.

Sir Francis says, that he has “endeavoured to prove, that the confidence in the paper of the Bank of England, is unshaken and complete.” To this I reply, that, in observing upon my pamphlet, it was unnecessary, and (if I could admit any such idea, when speaking of Sir Francis Baring, I should say it was) *uncandid*, to attempt to *prove*, what no part of that pamphlet has even insinuated a doubt of.

Sir Francis has endeavoured to prove further, “that neither the exchange on Ham-
burgh, nor foreign exchanges in general,
“ can ever operate so as to produce any ma-
“ terial advance in the price of provisions
“ grown

“grown and consumed in Great Britain.”
There again we are agreed. *I never said they did.*

In the concluding article of his recapitulation, Sir Francis takes credit for having endeavoured “to prove, that the opinion of
“Mr. Boyd in his publication, wherein he
“reprobates the excess of paper in circulation, is in direct variance with the plan
“which is found in his appendix, wherein
“he proposes to establish a new Bank for the
“sole purpose of adding very considerably to
“the mass of paper already in circulation.”

In addition to the notice which I have already taken of this *affectation*, (for it cannot surely be any thing more) of believing, that the report of a Committee in the year 1796, on the means of supplying an *acknowledged deficiency* of paper at that time, is a plan for *creating additional paper*, in order to *diminish the superabundance* of paper, of which I complain in 1800; I shall only say, that I think it altogether unworthy of Sir Francis Baring. I never entertained the most distant idea of
an

an establishment, in the present circumstances, of such a Board, as that which was proposed and approved in 1796, and which, if it had then been adopted, would, notwithstanding Sir Francis's complete misrepresentation of its tendency, have probably saved this country from that "*flur*" which Sir Francis, in his publication of 1797, declared, "*could never be effaced.*"—But whatever the consequences of such a plan in the year 1796 might have been, I must say, it is greatly under-rating that portion of intellect, which Sir Francis has always been ready enough to allow me to possess, to suppose me capable of the pitiful attempt to pass upon the public, a plan found perfectly proper for augmenting paper when it was *scarce*, as an excellent plan for diminishing it when too abundant.

I have already trespassed so much upon the reader's patience with the examination of what Sir Francis Baring's publication does contain, that I am afraid I shall be thought unreasonable, if I take the liberty of detain-

ing him for a few minutes on what, in my opinion, it ought to have contained.*

In my Letter to Mr. Pitt, I assume, as a fact, that, within the last two or three years, an important rise has taken place in the prices of commodities in general, as well as of every object of exchangeable value. Arguing from this effect, to a cause adequate to produce it, I assume, as such a cause, the probable increase of the means of circulation, from the removal of the salutary check of the unconditional obligation, of paying Bank-notes on demand, and this assumption, in the interval between the writing and printing of my Letter, is changed into certainty.

I find all the symptoms of a great increase of the means of circulation, all the effects which naturally would result from such an

* The copy of a Letter from a Gentleman of great respectability, whose name I am not at liberty to mention, contains a *critique* upon Sir Francis Baring's publication, which I have thought proper to insert in the Appendix (F).

increase, (if it did exist) and I at last find, from an authentic document, that this very increase which I have been assuming, does actually exist. Instead of labouring to prove, what I never doubted—instead of attributing to me purposes which I never entertained—and instead of combating arguments which I never used—Sir Francis would, in my mind, have rendered a more meritorious service to his country, and to the cause of truth, if he had coolly considered the real tendency of my reasoning, and endeavoured to prove, that the effect which I attribute to the cause which I assign for it, either does not exist, or proceeds from another cause—He has not even attempted this.

I have argued, that the increase of the circulating medium of the country, within the last four years, could only have been produced, in so short a period of time, as that in which it has taken place, by abandoning the principle, which for upwards of a century, was considered as the corner-stone of British credit; and that the necessary and in-

fallible

fallible consequence of *such* an increase, produced by *such* means, is that general rise of price, which all feel and deplore.

Has Sir Francis attempted to answer this argument in any respect? Has he endeavoured to demonstrate that this increase which I conceive to have been impracticable upon the old principle of unrestrained issues of specie, was possible upon that principle? Instead of dwelling so much upon the comparative insignificance of three millions and a half of paper, he would have done better to have considered, whether such an augmentation could have taken place, under the condition of its being so convertible. He would have done better still, to have considered the important change produced upon the general circulation of the country by the stoppage of issues in specie at the Bank of England, an event, which, in 1797, Sir Francis characterised, *in print*, by the last word in the English language, which ever ought to have been applied to that Corporation. It is matter of astonishment to me to consider how completely silent Sir Francis

Francis is upon the effects of that measure, now that they are actually felt; and how loud he was while they were only in prospect. If the stoppage of the issues of specie was really so innocent in itself as, from Sir Francis's total silence on that subject, in his present publication, one would be tempted to believe, how shall we account for the terms in which he expressed himself, in his publication of 1797, on that subject. In speaking of that event in 1797, Sir Francis said the Bank "had more than failed, and "had passed the line of bankruptcy, for they "had received from the Legislature an exclusive protection, to the prejudice of their "creditors, who were thereby left without "an option;" and, by way of assigning a reason for the harsh word which he had used, Sir Francis said that he presumed the word would "*not be deemed too strong to mark the "very bitter pill which the Public had been "forced to swallow.*"

If the stoppage of issues in specie (which, in 1797, Sir Francis considered so bitter a pill
for

for the public to swallow) be now no longer a matter of regret, it would have been *consistent* at least, to have apologized for the language which he held in 1797. It might have tended to the diffusion of the true principles of public œconomy, to have explained how an event in British financial history, which had been considered as so truly serious and alarming, several months after it happened, should, at the distance of four years, with its effects not only undiminished, but greatly increased, be passed over in perfect silence, if not considered as meriting public gratitude and applause. Sir Francis has taken some pains to represent me as at variance with myself. It would have been fully as proper to have reconciled his printed opinion of 1797, with that of 1801.

A
L E T T E R

TO THE

RIGHT HON. WILLIAM PITT.

Cleveland-Row,
11th November, 1800.

SIR,

ON many occasions, both before and since the stoppage of issues in specie at the Bank of England, I have, as you know, given it as my opinion, in conversation as well as in writing, that the embarrassed Circulation of the Metropolis, and the consequent distress all over the Country, which began in 1796, and became so alarming in February 1797, proceeded solely from the particular line of conduct which the Bank of England had thought proper to pursue, from the month of December 1795 to the end of February 1797. To that conduct I have uniformly attributed the diminution of the Means of Circulation* which

* By the words "Means of Circulation," "Circulating Medium" and "Currency," which are used almost as
B synonymous

took place within that period ; a diminution so disastrous in its consequences as to depreciate, in an alarming degree, the funded Property of the Country, to cramp the operations of Commerce, to check the efforts of Industry, and finally to bring on that last stage, of Discredit, which reduced the Bank itself to the unheard-of predicament of not being able to answer the demands of the Public for Specie, in exchange for its Notes.

This opinion was not the result of any partiality of mine for a favorite doctrine. It was confirmed by the general conviction, which arose from the labours of the Committees of both Houses of Parliament.

The same principles which enabled me to trace to their source the calamities produced
 synonymous terms in this letter, I understand always *ready money*, whether consisting of Bank Notes or specie, in contradistinction to Bills of Exchange, Navy Bills, Exchequer Bills, or any other *negotiable* paper, which form no part of the circulating medium, as I have always understood that term. The latter is the *Circulator* ; the former are merely *objects of circulation*.

by

by a starved circulation, not only after those calamities had become notorious, but during their progress, and long before the measure of them was full, lead me now to suspect that the increase in the prices of almost all articles of necessity, convenience, and luxury, and indeed of almost every species of exchangeable value, which has been gradually taking place during the last two years, and which has recently arrived at so great a height, proceeds chiefly from the addition to the circulating medium, which I conceive to have been made by the issue of Bank-notes, uncontrouled by the obligation of paying them, in specie, on demand.*

Before the memorable 26th of February, 1797, it had been the pride and boast of this country, for more than a century, that the

* *Note to the second Edition.*—It has been said, that my complaints of the scarcity of the means of circulation in 1796, and of their redundancy in 1800, are irreconcilable. I did not know (what this reproach of inconsistency would seem to imply) that *because much evil has arisen from a scarcity of those means, no evil can arise from their superabundance.* I did not understand that, *because there are diseases of inanition, there are therefore no diseases of repletion.*

Bank of England, which had contributed so essentially to the extension of our trade, and to the consolidation of the Public Credit, had never, in any instance, departed from the most scrupulous observance of the obligation (which indeed formed the fundamental condition of its institution) of paying every demand upon it, in specie, the moment such demand was made. While this condition, at once the pledge of its own good faith towards a confiding Public, and the proof of its private prosperity as a Company, remained inviolate, there was little danger of an excessive circulation of Bank-notes ; but, from the moment this condition was dispensed with, the danger of excessive issues became apparent. Indeed it is not to be supposed, that a corporation, whose profits chiefly arise from the circulation of its Notes, and which is exclusively directed by persons participating in those profits, has been, or could possibly be, proof against the temptation, which the licence they have enjoyed since February, 1797, has afforded. That they have not resisted this temptation, seems but too probable, from the general advance in prices, which has gradually taken place since that period.

I am

I am aware that it may be said, that there exists no *proof* of the increase of paper to which I attribute the increase of price. It is precisely because no *positive proof* does, or can, publicly exist, of a fact necessarily secret in itself, that I shall endeavour, by reasoning from effect to cause, to establish the existence of that fact, or at least to render the probability of its existence so great, as to warrant my assuming it in the observations I have to submit to your consideration.

I well remember that, during the year 1796, when I assumed as a fact (from the notorious embarrassment of the general circulation of the metropolis, and the great fall which the stocks experienced during that year) that the means of circulation were greatly reduced, by the conduct which I attributed to the Bank-Directors; and when I represented to you and others the tendency of the wretched system they were pursuing, it was answered that I was mistaken, and that the Bank had never been more liberal than during that year. But when the crisis to which that establishment was reduced, in February 1797, obliged the Bank to disclose the situation of its affairs, the truth

truth of the fact I had assumed was completely established. From what happened on that occasion, I trust it will not be considered an unnatural or unwarrantable conclusion, that an appeal to the actual state of the affairs of the Bank would equally bear me out in my present assumption. But it does not rest upon so narrow a ground as that of a mere inference from what happened on a former occasion. It is supported, on the one hand, by a great public *effect*, such as naturally might be expected to arise from the fact, which I assume as the cause of it. On the other hand, it is supported by the interest which the Bank evidently has in the cause to which I attribute that effect; and it acquires additional strength from there being nothing to restrain the pursuit of that interest.

Assuming then, that a great increase of Bank Notes has taken place, since February 1797, and that such an increase could not have happened in the same period, if the Bank had been bound to observe the fundamental principles of its institution, namely, the obligation to pay its Notes in specie, on demand, I think myself warranted to infer,

not

not only that there is the highest probability that the increase of Bank-notes is the principal cause of the great rise in the price of commodities and every species of exchangeable value; but that the one is, to a certain degree, the inevitable consequence of the other. That the augmentation of the quantity of money, or paper performing the functions of money, in a country, has a tendency to depreciate that money or paper, is a principle universally recognized. It is invariable in its operation, as the law of gravitation; and I am not absurd enough to impute to the Bank Directors the inevitable effects of an irresistible cause. It is not because the multiplication of the representative signs of money tends to depreciate that money, that I consider the increase of Bank-notes as an evil. It is because I apprehend that a multiplication of those signs has taken place, to an extent altogether disproportioned to the time in which it has been effected, and that it could not have been produced but by a notorious dereliction of those principles of public œconomy, which no country ever abandoned with impunity.

I admit

I admit that the paper of the Bank of England, in its present state, unites, in a higher degree than any other paper, not convertible into specie, that ever was circulated in any country, all the qualities which entitle it to confidence ; but if, instead of so much additional paper, not convertible, at pleasure, into specie, this country had acquired, by supernatural means, and thrown into every channel of circulation, the same additional currency in gold and silver, within the same period, this influx, altogether disproportioned to the progress of the industry of the country, within that period, could not have failed to produce a very great rise in the price of every species of property, not all with equal rapidity, but each by different degrees of celerity, according to the frequency or rarity of its natural contact with money. I do not mean that this rise would have been so great as that which has been occasioned by the introduction of so much paper, destitute of the essential quality of being constantly convertible into specie : but if a miracle had produced so much additional gold and silver, it would have
 required

required another to have kept among us whatever part of such additional quantity exceeded the natural digestive powers of the country. That surplus quantity would have soon found its way into other countries, to seek that employment which it could not readily have found in this. But Bank-notes possess no such quality. *They* cannot be exported, except by the intervention of Bills of Exchange on foreign countries purchased here, or drawn in other countries upon this country, and paid here; and this channel happens to be narrowed, beyond all former example, by the prohibition of intercourse with France, Holland, Spain, and other parts of Europe.

Under such circumstances, ought we to be surpris'd, that the effects of an increase of the circulating medium of the metropolis (thus operating as the elementary means of circulation, and communicating its influence to the whole Paper Circulation of the country, which turns, if I may so express myself, round it as it's common center) are felt in all the articles of domestic consumption and expence, and that they are felt the most in those articles

C

which

which form the nourishment of the great body of the people?

Permit me to call your attention to a circumstance of public notoriety in the history of the Bank of England, which will be found not unimportant, in illustration of the theory I have laid down.

By the statement of the Affairs of the Bank, submitted to Parliament, in February 1797, it appears that the outstanding demands upon the Bank, including the sum of 8,640,250*l.* due upon its notes, then in circulation, amounted to

£.13,770,390.

The amount of Gold and Silver, then in the coffers of the Bank, was not stated; but, in order to account for the pressure which occasioned the Order of Council, it may surely be reasonably supposed that it did not exceed

1,770,390.

And that, therefore, the Bank had added to the powers of the circulating medium of the country,

country, in the space of 103
 years, - - - £.12,000,000.

By the circulation of Bank
 Notes to the amount of 8,640,250

And by Credits in the books of
 the Bank, which may be con-
 sidered as Bank Notes, *vir-*
tually, though not *really* in
 circulation, seeing all those
 credits might have been con-
 verted into Bank Notes, at
 the pleasure of the persons
 so credited in the books of the
 Bank - - - 5,130,140.

£.13,770,390.

and keeping (according to the supposition I
 go upon) only £.1,770,390, in specie, for
 paying such demands as might be made upon
 the Bank, in consequence of such notes and
 credits.

Much has been written in order to ascertain
 the proportion between the circulating money
 of a country, and the value of the annual pro-
 duce of the land and labour of that country.

The state of the affairs of the Bank of England, in February 1797, does not decide this point, which will probably for ever elude the researches of human ingenuity; but it shews how small the wheel of circulation is, compared with the immense revenue which it is capable of distributing, and the infinite variety and vast extent of transactions which it can carry on. The great financial and commercial operations, which had taken place in this country during a century; the creation of a debt of three hundred millions; the extension of the trade of England to the gigantic size it had arrived at; the constant anticipations of part of the public revenue, and the uninterrupted payment of the annuities on the public debt, during so long a period, chequered, as it had been, with so great a variety of fortune; all the astonishing effects, which the world had been accustomed to attribute to the unfathomable credit and resources of the Bank of England, had been produced (in so far as that Bank contributed to produce them) by a gradual addition to the powers of the circulating medium of the country, which, at the end of one hundred and three years, is found to amount to no more than twelve millions. But,
it

it will be said, that the twelve millions I reckon upon, are only the Amount of the notes and credits, as they stood after the great reduction of notes, which had taken place between December 1795 and February 1797, and that it would be uncandid to take the period of the greatest reduction, as a point of comparison with any subsequent period. To obviate this objection, I will take the average amount of Bank-notes for three years, ending December 1795, viz. - £.11,975,573

And the credits, as they stood in February 1797 (having no other data by which to estimate them) - - 5,130,140

17,105,713

And suppose the specie, for paying both, to have been 3,105,713

Leaving thus an addition to the powers of the circulating medium of the country, of £.14,000,000

From this estimated statement, as well as from the real state of the affairs of the Bank, (which last appears to be incontrovertible, in all

all respects, except as to the quantity of specie on hand, which necessarily rests on supposition) it may fairly be inferred that an addition of * 1-6th, 1-8th, 1-10th, or even 1-14th, in the short period of three years, to the amount of notes and credits, which was the result of the accumulated credit of a century, under the system of unconditional conversion into specie, must, of itself, have produced a sensible effect on the prices of things in general, without reckoning upon the important difference between a smaller mass of the means of circulation, constantly convertible into specie, and a greater mass of those means, convertible only in a very small degree.

* Since this letter was written and sent, in manuscript, to Mr. Pitt, the Governor of the Bank, as I have been assured, acknowledged in the House of Commons, on Thursday the 27th of November, that the circulation of Bank Notes had been increased one-sixth or one-seventh since the stoppage of issues in specie, in February 1797; but as I was not present, I cannot vouch for the accuracy of this report. If, however, it be accurate (and I have no reason to doubt that it is) it proves the truth of the fact which I assumed as to an increase of Bank Notes, and establishes even more, with regard to the *degree* of that increase, than I supposed necessary to produce all the effects I attributed to it.

Still,

Still, it will be said, all this reasoning upon the effects of an increase of the means of circulation (however just, if the existence of such increase were *proved*) proceeds upon what, at best, can only be called presumptive evidence of its existence; but when, on the one hand, it is considered what important effects were produced, in 1796 and 1797, by the diminution the means of circulation, and how justly those effects were traced to that cause, long before its existence was actually proved; and, on the other, the rise that has taken place, in the price of almost every species of exchangeable value, during the period in which the Bank of England has enjoyed the power of issuing Notes, without being obliged to pay them, it certainly will not be denied, that no presumptive evidence can possibly rest on stronger grounds. If you allow that my theory is just, and that if a considerable increase of the means of circulation, such as they are, have actually taken place, its consequences would be such as I have described them, you will, I think, likewise allow that, with the strong circumstances which warrant the suspicion of the existence of such increase, it is highly deserving the attention of Parliament

to

to have this point ascertained, by an accurate statement of the amount of all demands on the Bank of England, and of the gold and silver in its coffers. There ought not to exist any reason for withholding this information, as long as the Bank avails itself of the licence for refusing to pay its notes on demand. In the enquiry, which will naturally be ordered, into the causes of the present high prices of provisions, it must be of great importance, that the attention of Parliament should be directed to this point, and that every possible light should be afforded on the subject of circulation, as being, from its very nature, peculiarly complex and obscure.*

On no subject is the human mind so apt to mistake a secondary cause for a primary one ; on none is it so apt to ascribe to one object the qualities which belong to another ; and to confound causes with effects.

* *Note to the Second Edition.*—It does not appear that any notice of the subject of circulation was taken by the Committee, although the Minister had the original manuscript of the letter in his possession six weeks before it was printed.

Of this there is a striking proof in the common-place declamation upon the encrease of the public debt, as forming an addition to the circulating medium of the country; while the fact is, that the public debt and the currency of the country are

“ Distinct, as is the swimmer from the flood.”

The first is a portion of the value of individual industry, stored up as a capital yielding an annual revenue; the second occasionally transfers a part of that capital from one person to another.—The one *produces* a revenue; the other *distributes* that revenue to the different proprietors of it.—The first is occasionally an object of circulation; the second is the common circulator of the value of all objects.

Another proof of the confusion of ideas on the subject of circulation, will be found in the ordinary complaints against a profusion of paper, as proceeding from Country-Banks, to which it has, of late, been pretty much the fashion to attribute, in part, the great rise in the price of provisions. This is clearly mistaking a secondary cause for a primary one.

The Country-Banks, it is said, by their issues of paper, create a new medium of circulation, by which they enable their customers, that is, the holders of their notes, to keep longer on hand, than they otherwise could afford to do, the various articles of production necessary for the support of man. But Country-Banks have long been in the practice of issuing notes, and the complaint, if at all better founded now, than it ever was, can only apply to such extraordinary augmentation as may have recently taken place in their circulation. Besides, these Banks are bound to observe a degree of moderation in their issues, to which the Bank of England is not now restrained. Every note which the Country Banker issues is payable on demand, either in specie, or in notes of the Bank of England. It may therefore be inferred, that no part of these issues can possibly remain in circulation, beyond what the increasing prosperity and industry of the country where they circulate, can fairly absorb or digest.

The circulation of these notes of Country-Banks is under a controul equally salutary as that which restrained the issues of Bank of England notes, while that corporation was bound

bound to pay, and did pay, every demand upon it, in specie ; and it certainly is a most violent stretch of conjecture to suppose, that excessive circulation is more likely to arise from the issue of paper constantly payable on demand, than from that of paper not payable at all. The circulation of Country Bank-notes must necessarily be proportioned to the sums, in specie or Bank of England notes, requisite to discharge such of them as may be presented for payment;*

* *Note to the Second Edition.*---It has been observed to me, that, although this be the natural course of things, the consequence of offering Bank of England notes, and not gold, in payment of Country Bank-notes, has been, to induce the holders of these last notes, in most cases, not to demand payment of them at all ; and thus to occasion the extension to Country-Banks, of the privilege which was only meant to be enjoyed by the Bank of England. The holders of Country Bank-notes (it is said), not having it in their power to obtain gold for them, think the paper of the Banks in their neighbourhood, with which they are particularly acquainted, as good as that of the great Bank of the metropolis, which they know chiefly from report. If this be true, the increase of Country Bank-notes is probably much greater than I imagined ; but still, whatever it may be, it is evident that it proceeds chiefly from the stoppage of issues in specie at the Bank, as the primary cause, to which I have attributed it. The resumption of payments in specie at the Bank, *gradually* introduced, would *gradually* reduce

but the paper of the Bank of England has no such limitation. It is itself now become (what the coin of the country only ought to be) the ultimate element into which the whole paper circulation of the country resolves itself. The Bank of England is the great source of all the circulation of the country; and, by the increase or diminution of its paper, the increase or diminution of that of every Country-Bank is infallibly regulated. That the operations of Country-Banks tend to facilitate speculation and enterprize, and to augment the general circulation of the whole country, is unquestionably true; but they do so, only in the same manner as the London Bankers promote speculation and enterprize in town. Both have been productive of invaluable advantages to the industry and trade of the country at large; and both, like all human institutions, may have been frequently turned to improper purposes. The balances due on the books of a London Banker to his customers, and the notes in cir-

the circulation of Country-Banks to its natural and proper limits, and thus accomplish, without convulsion or murmur, that reformation of the general currency of the kingdom, which any system for the *regulation* of Country-Banks would, in all probability, fail to produce.

ulation

culation of a Country-Bank, equally constitute the amount of the demands, which the public has a right to make, on the one and on the other ; and the difference between the amount of Bank notes and specie reserved by each for answering such demands, and the amount of the sums due by each, is equally an addition to the powers of the circulating medium of the country ; although the difference in the one case, arise from open accounts, and, in the other, from the circulation of promissory notes, on demand. The effect on the general powers of the circulating medium of the country is, in both cases, to augment those powers ; to make a smaller sum perform the same functions, which a larger one (without the intervention of Banks and Bankers) would have been required to perform ; and the result of each, to the Banker in Lombard-street, as to the Country Banker, is to afford a revenue, which, but for their intervention, would have been lost to the community. The circulation of Country Bank-notes may be defined *Active Circulation*, as proceeding from the proper Act of the Bank which issues them : that of a London Banker may be called *Passive Circulation*, as proceeding from the operations of others,

who

who have the power of issuing their Orders upon him.*

The advances which the London Banker makes to his customers, or to the Public, in consequence of the cash and Bank-notes deposited with him, and the advances which the Country Banker makes to his customers, or to the Public, in consequence of the sums lodged with him, upon his promissory Notes, payable on demand, must be greater or smaller, in proportion to the abundance or scarcity of Bank of England notes or specie, at any particular time. The addition to the means of circulation, which arises from the London Banker's accounts, and from the notes of the Country Banker, is a fair, lawful, and valuable acquisition to the community. It proceeds from the voluntary confidence of the Public, founded upon the unconditional obligation to repay, on demand, the sums deposited with them, either in specie or in the notes of the Bank of Eng-

* *Note to the Second Edition.*---The Bank of England unites both, as appeared by the state of its affairs in 1797, when the notes (constituting its *active* circulation) amounted to 8,640,250*l.* and the balances on the books (constituting its *passive* circulation) amounted to 5,130,140*l.*

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land.* If the great ostensible instrument of circulation consisted of coin, instead of Bank-notes, not only the London Banker and the Country Banker would do the same business they now do; but they would probably do a great deal more, on account of the superior convenience, which would be found in their services, in consequence of such a change. It seems a little hard to restrain, even in idea, such truly valuable members of society, in the free exercise of their talents and credit, under a regimen of Bank-notes, which they would infallibly enjoy, even in a superior degree, under a regimen of gold and silver. If the extent of these accounts and notes be greatly increased, within the last two or three years, this can only have arisen from the increase of issues by the Bank of England, of which the former are merely collateral effects. The inconvenience, arising from an excess of Country Bank-notes, can only operate as a secondary cause. That which arises from an ex-

* *Note to the Second Edition.*---The bad consequences of any excess in such circulation, beyond that which would have existed, if the bank had never ceased to pay its notes in specie, are clearly attributable to that cessation.

cess of Bank of England notes, is a radical and primary cause, which alone has produced, or can produce, any very important effects on the general circulation of the country.

But it may be said, that the great and general rise of prices, which I have been mentioning, as a proof of the existence of a great increase of Bank-notes, remains itself to be proved. To this I reply, that when a fact is proved by the concurring testimony of a whole community, and when every man must feel the conviction of its existence, it would be a mere waste of time to descend to particulars, in order to prove that fact. Every man feels, in his abridged comforts, or in his increased expences, the existence of this melancholy truth ; but every man does not know that what, in vulgar language, bears the name of “ Increase of Price,” might, with perhaps more propriety, be called “ Depreciation of Paper.” Of this there is, in the present price of Gold-bullion, a very strong proof, and one which, from its nature, comes more home to the ordinary feelings and understandings of men, than any other proof whatever. “ Portugal Gold in Coin” has, for these last six months, been selling in the London Market,

Market, at 4*l.* 5*s.* per ounce. It is of the same quality with our Standard Gold, of which the Mint-price is 3*l.* 17*s.* 10½*d.* per ounce; and a pound of the one, like a pound of the other, when coined at the Mint, will produce forty-four guineas and a half, and no more. Therefore, if a pound of Portugal Gold, be purchased at 4*l.* 5*s.* per ounce, it will cost £. 51 0 0

And only produce, in coin, forty-four Guineas and a half, of which the current value is

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And consequently will occasion a loss of

	-	-	£. 4 5 6
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This is a discount which the common currency of the country suffers, when exchanged for bullion (in all respects equal to our standard gold) of no less than 8*l.* 7*s.* 7¾*d.* for every 100*l.* or a little more than 8¾ per cent.

If the idea of a discount upon our currency be unpleasant, we may say, that Gold bears a premium in the market; but, in that case, this premium must be called 9*l.* 3*s.* for every 100*l.* or something more than 9¼ per cent; because, if 46*l.* 14*s.* 6*d.* in gold, cost 51*l.* in Bank-notes,

	E		100 <i>l.</i>
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100*l.* in gold will cost 109*l.* 3*s.* in Bank-notes.

I believe there is no example of Guineas having been exchanged otherwise than at par. The few that are employed for the common purposes of occasional domestic circulation, pass for no more than their corresponding current value in paper; and these few have, I believe, hitherto been always readily found, when wanted; but, it must be evident, notwithstanding, that the *intrinsic value* of the coin of the country, when of the proper weight, or (which comes to the same) of the materials of which that coin is composed, is, according to this calculation, $9\frac{1}{2}$ per cent. more than that of the general currency of the country.

While such a difference exists between Gold, in its current standard value, as coin, and its intrinsic value as a commodity; or, in other words, while the real value of gold so far exceeds that of our currency, however composed, much of the coin will necessarily be melted, for the purpose of profiting by that difference; the common currency being, in all respects, equally effectual for discharging debts as our

Gold.

Gold Coin, with all the intrinsic superiority it possesses over that currency.

The same circumstances which raise the value of Gold in the home-market, necessarily tend to depreciate our currency when compared with the currency of other countries ; and accordingly we find, that the exchange with Hamburgh, which may be considered as the proper criterion, while our intercourse with France, Holland, Spain, and several other parts of Europe is suspended, (of which, according to the evidence I delivered before a Committee of the Lords in 1797, the par is 34 : 8½) is now at 31 : 10. which establishes a difference of nearly 9 per cent. against this country.

While such a temptation to export coin exists, it is vain to expect that *any law* can prevent its going abroad.

I am aware that our exchanges have, at times, been as much against us, even previously to the restriction of payments in specie at the Bank, and that Gold has frequently borne a premium before that event ; but these unfa-

vourable circumstances were never of long duration ; and, that they have, from some temporary cause, occasionally taken place, while no general derangement of prices prevailed, diminishes little of the force of their appearing, in common, with so many other proofs of such general derangement.

In no case is it more important carefully to attend to the circumstances, which occasion a revolution in price than when such revolution arises in the price of exchange, which, I have had occasion frequently to remark, often happens from causes altogether different from, and sometimes even opposite to, such as might be expected to produce it. Extreme distress in the mercantile world frequently produces a great number of drawers on foreign countries, merely upon credit. This has momentarily the same effect, which would be produced upon the exchange by there being a large balance due by the countries drawn upon, to the country that draws. In the year 1793, during the extreme difficulties which the Merchants and Traders experienced, the exchange with the Continent became so favourable, as to render the importation of gold a very lucrative business.

business. It was at that time very generally reported, that guineas were sent abroad, and to this alledged exportation many people attributed the reduction of discounts at the Bank, that produced the distress, which it required the interference of Parliament to remedy. The gold of this country was then guarded more effectually than any *Law* could guard it. It could not go out of the kingdom, without an immense loss to the exporter. As no *Law* could have then carried money *out* of the country, so no *Law* of any kind can, in the present situation of the exchange, prevent its going out.*

Again; a great purchase abroad, of an article on which this country may ultimately gain a large sum, has the effect of producing the same apparent symptoms of unfavourable trade, as indicated by the course of the exchange, which would be occasioned by a sudden diminution of the confidence of foreigners, in consequence

* *Note to the Second Edition.*—It has been said that this doctrine is in contradiction with the proposed resumption of payments in specie. It might indeed be so, if the depression of the exchange, *occasioned chiefly by the stoppage of issues in specie*, were to continue, *notwithstanding that resumption.*

of any great national disaster, or in consequence of a change, real or apprehended, in the currency of the kingdom ; but the effects of these distinct causes would be very different in their influence on the general prosperity of the country, and in their duration. I have thought it right to enter into this explanation, in order to shew that I have not fallen into the error, which otherwise might perhaps have been imputed to me, of having cited, as proofs of the consequence of a paper-currency, not convertible into cash, the unfavourable state of the exchange, and the premium upon gold, while both of these circumstances can be proved to have occasionally existed, during a currency of gold and silver, or (which comes to the same thing) of paper always convertible into, and therefore truly and faithfully performing the functions of, those metals. It is not merely because foreign exchanges are against us, or because bullion is very high, that I suspect there has been a great addition made to our currency (as there has unquestionably been an important change in its composition) ; but finding these strong symptoms, in common with so many others, I am fully warranted to ascribe them to the same great and general cause.

cause. An unfavourable exchange, and a high premium on bullion have existed, and may occasionally exist, from causes not only altogether different from that to which I now attribute them, but of a contrary tendency ; yet so inseparably are they connected with an excess of paper-currency, that such excess cannot possibly exist without being accompanied by them. If all the other symptoms of that supposed excess had existed, and our exchanges and bullion had remained unaffected, for any considerable time, I should have doubted the truth of my theory.

While the Bank of England paid its notes in specie, on demand, if the exchange took an unfavourable turn, and it became advantageous to send gold abroad, no doubt guineas were drawn from the Bank in larger quantities than when no such unfavourable exchange existed. Many of these guineas were, no doubt, smuggled out of the kingdom ; but the consequence of this drain of guineas from the Bank was not only, *of itself*, a powerful antidote to the very evil of an unfavourable exchange, but it naturally led the Bank to take defensive measures against the effects of this drain, and these mea-
sures,

tures, in their turn, tended to restore the exchange to its natural level. In the present case, entrenched as the Bank is, behind the acts of Parliament which not only *authorise*, but *order*, the refusal of specie in exchange for its notes (except for particular purposes and for the payment of the notes of 1*l.* and 2*l.*), that establishment is not compelled to any exertions to remedy the evil of an unfavourable exchange, or to restore the equilibrium between coin and bullion. The profits of the Bank are acquired much more easily, and to far greater amount, under the regimen of restriction than under that of freedom; for we are not to expect, that the apprehension of an increased depreciation, at some future period, is to diminish the ardour of the Bank for present profits.

With the prospect before us of large importations of grain (whether *really necessary* or not, I need not now enquire), which must add infinitely more to the pressure upon the exchange than any transaction of equal magnitude, less exposed to general observation, there is but too much reason to fear that the proportion which now exists between bullion and paper, and that between our currency and the monies

monies of foreign countries, will greatly increase in the next six months, unless some powerful measures be resorted to, in order to counteract the effects of the present system.—On the consequences of any farther depression of the exchange, and on those of the increased premium upon gold which necessarily must accompany it, I shall say but little. They must readily present themselves to your mind, in all the variety of shapes in which they will bear upon that part of the public resources which is destined to pay for the services, and purchase the stores of every description, whether naval or military, which a state of hostilities more extensive in its scale, and consequently in its expense, than any in which this country ever was engaged, necessarily requires. In every transaction, whether foreign or domestic, in which Government is the purchaser of services to be performed, or value to be delivered, any diminution of the effective powers of the money with which these purchases are made must increase their price, and consequently tend to render the sums, however ample when voted, inadequate to the purposes for which they are voted.

The ordinary revenue, as well as the extraordinary resources, of the country, for meeting the unavoidable expense of the civil government, providing for the payment of the interest on the public debt, and defraying the expenses of the naval and military services of the year, are all receivable in the notes of the Bank of England. The nominal extent of these revenues and resources (like the nominal price of services, not liable to variation, and the fixed charge of interest on the public debt) can be, and always are, accurately ascertained; but the *effective powers* of the sums destined to purchase every kind of service, of which the price is not fixed, cannot be ascertained, seeing the money or currency of which these sums consist, is liable not only to variation, but to a depreciation of which it is impossible to assign the limits.

But the influence of a great depreciation of our money will not be confined to the operations of Government. Not only will Government buy all the naval and military stores which are imported from abroad, at an advance, proportioned to the depression of the exchange; but the whole Imports of the
Country,

Country, of which the value is to be remitted abroad, must experience a similar advance. The effects of this advance on the prices of articles imported, as operating with the tendency to increase of price, which all other articles must feel at home, it is painful to consider and unnecessary to state.

I gladly turn to the more pleasing task of mentioning the *probable good* which may be fairly reckoned upon as the concomitant of so much *positive evil*. If the increase of prices in the home-market should fortunately not keep pace with the depression of the exchange, all our articles of exportation must feel the effects of the increased demand in the foreign markets, in consequence of the diminished value of British money abroad; and although, in many of these articles, no increase of demand can add to the quantity to be exported, in many others, this increased demand may, and, I trust, will, add to the means of supplying it. Articles imported for the purpose of being manufactured for exportation are of this description; so are all articles of home production employed in manufactures. These may be greatly extended in consequence of the increased demand which the diminished value of British

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money

money in foreign countries necessarily tends to create. How much of this probable good may be destroyed by the effects of the evil which must accompany it, or whether a probable increase of industry in any branch of manufacture, proceeding from a cause which diminishes the value of the money that is to set it in motion, ought to be reckoned upon, without, at the same time, taking into the account the increase of wages which industry, under such circumstances, would have a right to expect, are questions into which I shall not now enter. It is enough to have pointed out a probable source of comfort amidst so many causes of uneasiness, without calculating the various chances by which that comfort may be diminished.

The profusion of the means of circulation, which has been introduced by the stoppage of issues of specie at the Bank, has certainly contributed more than any other cause * to the

* *Note to the Second Edition.*---It has been said, with equal *ingenuity* and *candour*, that nothing “ betrays the *weakness* of my argument more *strongly* than the imputation of the rise in the stocks to an increased circulation of paper.” In proof of this, it is stated, that “ the apprehension of a war with the Northern Powers occasioned a fall in the funds of 10 per cent.”—Did it follow, that all *other* causes ceased to operate, because Paper-circulation had operated in an extraordinary degree? If, by the increase of Paper, the three per cents. instead of being at

great rise in the price of stocks which has taken place within the same period in which a rise has happened in almost every other object of exchangeable value. This, you will say, is a very pleasing effect, and ought not to be stated among the evils of profuse circulation. It is, like every other thing, good only to a certain degree. In so far as any measure raises the value of the funded property of the country, and enables Government to borrow upon better terms than otherwise could have been obtained, such measure is decidedly good; but if it be founded in a circulation *radically vitiated*, and tend to raise the *nominal* more than the *real* value of the funds, and

56, are at 67, when a political event of an unpleasant nature takes place, is that event not to produce its effect upon the price, because that price is much higher than it would have been, if no such increase of paper had existed? The effect of the increase of paper is not destroyed by that of the political event, although a considerable temporary fall take place, because *the fall occasioned by that event, would have happened, whatever the price had previously been*; and the effect of the increase of paper is perhaps fully as strong, *after such a fall as before*. If the three per cents. had been at 56, instead of being at 67, when the apprehension of the northern war occasioned a fall of 10 per cent. the only difference between the effects of that apprehension, in the one, and in the other case, in all probability, would have been, that the price, in the one case, would have fallen from 56 to 46, and, in the other from 67 to 57.

moreover diminish the *effective powers* of the sums borrowed, such measure is no longer entitled to approbation. If the supplies lately granted have not purchased the same, or any thing like the same, services to the Public which they would have purchased in the years preceding the stoppage of issues in specie at the Bank; it must be of little real importance to the Public, that the prices of stocks, instead of being distinguished by the figures 52 and 53, as they were in February 1797, are now distinguished by the figures 63 and 64.

That these supplies have not purchased the same quantity of services which they would have purchased before the change in our currency took place, I may venture to assert, without the fear of contradiction. If you call for proof, I may appeal to the records of Parliament, or to the testimony of your own mind, which, as the best informed commentator on these records, must, I am sure, be decisive on this point.

When it is considered that, since February 1797, the addition to the funded debt (including what was then floating in the market in
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the shape of Scrip of the loan of eighteen millions, raised by voluntary subscription) is no less than 168,946,920*l.* 17*s.* 3*d.** and that, during the period in which this immense addition has taken place, the price of three per cents. has risen from 53½ to 64½; who that ever turned his thoughts to such subjects, can have a doubt with regard to the real cause of an effect which thus runs in direct opposition to all that had been experienced from the first introduction of the funding system, until the period that produced the profusion of paper to which I attribute it? In the first four years of the war, the three per cents. *fell* from 80 to 53½, and, within that period, 88,840,120*l.* 14*s.* were funded. In the last four years, the three per cents. have risen from 53½ to 64½; and yet, in this last period, there have been funded 168,946,920*l.* 17*s.* 3*d.*

* *Note to the Second Edition.*---More than one of the anonymous answers to this Letter have mentioned the interest of this large sum, as necessarily requiring a large addition of Bank-notes. What! Does the payment of the interest of the Public Debt depend upon the creation of Bank-notes? This is a libel on British credit. I never allowed such an unfounded position to escape me.

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Here we have a cause which, in one period of four years, produces a *fall* of $26\frac{1}{2}$ per cent; and the same cause, only nearly doubled in point of force, which, in another period of four years, produces a *rise* of 11 per cent. The only counteracting circumstance of importance which can be mentioned, is the Redemption of the Land-Tax, of which the operation upon the funds, to the 5th January 1800, has been that of taking out of the market, stock to the amount of 12,133,371*l.* 5*s.*

The effect of that admirable institution of a Sinking Fund of one per cent. of the capital stock created, cannot, with propriety, be stated as operating upon the funds, during the last four years, in any greater degree than during the four former years, all the loans raised in both periods having equally the same proportional Sinking-Fund attached to them.

But it may be said, that, of the sum of 168,946,920*l.* funded in the last four years, 56,445,000*l.* are provided for out of the
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the Tax on Income, and consequently are not to be considered as an addition to the permanent debt of the country. This part of the public debt is certainly distinguished by circumstances of a very peculiar nature, considered, as they affect the country at large; but they do not, in my opinion, bear much upon the question respecting the price of stocks; because the sum of 56,445,000*l.* (of which the interest and final extinction are to be defrayed out of a specific burden which the country is to bear for that purpose,) forms, nevertheless, a part of the general capital of three per cent. stock, and consequently adds to the pressure upon the market as much as any other portion of that stock. It feels in no greater degree than any other portion of the same stock the effect of the general influence of the purchases of three per cent. stock, which the Tax on Income may furnish the means of making, after discharging the interest and expence of management of that portion of the public debt. That such a sinking-fund would be sensibly felt, in time of profound peace, I readily acknowledge; and I am equally willing to admit, that its influence in supporting the price of

stocks may have been important ; but if that influence had only contributed essentially to prevent *a farther fall*, I should consider *that*, as fully all the effect which such an influence could have produced. But, that it should have had the effect of contributing, in any very great degree, to the *rise* of 11 per cent. in the price of the whole funded property of the country, in direct opposition to the natural effect of so vast an increase of that property, is, I must say, so infinitely beyond the operation of any cause which existed before the period in which it took place, that we must conclude it has been produced by a cause which never existed in any other period.—

But it will be said, That the price of Stocks does not necessarily depend upon the proportion between the quantity of them in existence, and that of the money in circulation, nor upon the operations of Sinking-Funds of smaller or greater extent ; but that it is liable to be, and frequently is, very much influenced by circumstances of a political nature, as well as by the greater or smaller portion of general confidence in the good faith and prosperity of the country, which happens from time to time to prevail. I readily

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dily admit the full force of the observation ; and, if there had been any important change, within the last four years, in the political, financial, or commercial situation of the country, (except the increase of Paper-money and its consequences) I should readily have allowed to such a change all the operation that could be supposed due to it.

This is all I shall say on this part of the subject, which I feel it to be impossible to treat, as it deserves to be treated, without departing from that line of enquiry which I proposed to pursue in this address.

I have endeavoured to shew, that the system of Paper-money, not convertible into specie, at pleasure, tends to diminish the value of the annuities which the country grants in borrowing. It may not be amiss now to consider briefly the influence of the same system on the interest which the country has bound itself to pay to its creditors, on the whole public debt. This is the point of view, of all others, the most interesting to a country, so long distinguished by its high sense of honour in all its engagements with its creditors.

If we contemplate the probable future depreciation of paper, as it may affect the creditors of the state, we are well warranted to conclude, that the profusion of paper, which has blown up the nominal value of the capital of the public debt, is fraught with the seeds of the destruction of real public credit. This depreciation of paper the creditors of the public now feel, perhaps even without suspecting its existence, in common with every other class of people; but when it becomes more palpable (as it infallibly must, if the present system be persevered in), the odium which it must entail upon the country, standing, in this respect, in the character of a debtor, paying a real debt with a nominally equal, but really inferior value, is rather to be deprecated than described. If such a period should arrive, the public creditors will be justly entitled to charge their debtor with having “kept his promise to their *ear*, and broke it to their *hope*.”* If a period should arrive when a dividend

* *Note to the Second Edition.*—This has been considered by one of my anonymous opponents as the most exceptionable passage in the whole Letter. The diminution of value which I contemplate, as the *probable* consequence

vidend of 100*l.* in Bank-notes will not exchange for more of the conveniences of life than 50*l.* did a few years ago, will not the person receiving such dividend, be entitled to charge this country with having failed in its engagements as effectually, as if an Act of Parliament had ordered a guinea to pass for two-and-forty shillings? Is your mind made up to receive such a reproach? Have you estimated the extent of its consequences? Can you look forward, with indifference, to the *possibility*, nay to the *probability*, of its being, one day, directed against your Administration? I trust you cannot. I gladly cherish the hope that you will not shut your ears to

quence of the continuance of the present system, has, according to this writer, already taken place, “without producing any of those reproaches, the very dread of which, seems to have produced so powerful an effect on the delicate nerves of Mr. Boyd.” To this I reply, that, while the circulation of the country consisted of gold and silver, or of paper always convertible into those metals, the creditors of the state, had no right to reproach Government with the *natural* diminution of the value of money, which the progressive increase of riches and industry produced imperceptibly, in a long series of years. Is the case the same, when their annuities are paid to them in paper, not convertible into gold and silver?

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the voice of *truth*, although it proceed from a quarter, neither distinguished by favour nor fortune; but that, roused from the fascination of a paper-system, you will, while it is yet in your power, make one great effort to rescue the country from an impending calamity, not the less dangerous for being little suspected.*

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* *Note to the Second Edition.*---This advice has been considered in several anonymous tracts, as of a very dangerous tendency. In one of them, it has been represented, as the project of one of those "enthusiastic accountants, whose plans for the instruction of Ministers, in loans, taxes and lotteries, and, above all, in the payment of the national debt, are too numerous to be contained in the Treasury-chambers." The author who considers my doctrine in this point of view, has fortified himself, in front, with two excellent lines, on the folly of giving bad advice, and the disgrace and ridicule which recoil upon the adviser.

"Confilia qui dant prava cautis hominibus,

"Et perdunt operam, et deridentur turpiter."

Aware of the consequences which may result from the luminous sketches of this author, who appears not only to possess much *sound theory*, but a considerable portion of *practice*, in the higher branches of finance, I am yet so ardent a lover of every part and particle of that science, that I willingly submit to all the risk of his criticism, and even wish that my Letter to Mr. Pitt, may never be read without the accompanying commentary of the "*Brief Observations.*"

It may be said, that the circulation of the notes of the Bank of England is not enforced by *law*, but rests entirely upon *confidence*. This is a refinement which, upon examination,

Observations." I must, however, request the Author to remember, by way of excuse for my not equalling his ideas of finance, that I did not attempt the *higher regions* of that sublime science.—I only endeavoured to give some little notion of the present currency of the Country, recollecting the advice which my friend Horace gave to the writers of his day, and which I beg leave to recommend to the Author of the Brief Observations, as a motto which some of his readers may perhaps think not much less applicable to his work than the one he has chosen.

“ Sumite materiam vestris, qui scribitis, æquam

“ Viribus.”

HOR. DE ART. POET.

The Author of the Brief Observations has been at considerable pains to “analyse my *motives*” for publishing my Letter to Mr. Pitt; and has hazarded several conjectures which, if they be not true, are, at least, according to the Spanish proverb, well imagined—for the purpose of exalting his own public spirit, and depressing mine. They mark, indeed, the most unbounded devotion to the views of the Minister and the Bank of England, upon whom, according to this writer, the fate of this Country, if not of Europe, absolutely depends. For my part, I trust it rests upon a broader basis than the talents and virtues of any one man, or set of men in the kingdom. This author having cured me of the folly of giving *advice*, I hope he will allow me to give an *opinion*, that, instead of analysing my motives, “his wisdom would have shewn itself richer” to have analysed my *arguments*.

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will be found not to possess much solidity. The Bank of England is authorized by law to refuse the payment in specie of the most important description of its notes. The public had been accustomed, for upwards of a century, to receive these notes in all payments; and, not estimating, as it deserved, the important change which the Legislature introduced, when it permitted the Bank to *issue* and *not to pay*, their notes, the same public readily took these notes, when destitute of the quality which originally gave, and ultimately must support their value, with the same confidence, as when they possessed that quality. But there was little choice left to the Public, even if there had been (as, I believe there was not) any latent principle of distrust. The paper of the Bank of England formed the principal means of circulation in the metropolis. That paper, when deprived of the original condition of its circulation, received from Parliament a sanction much stronger than it ever enjoyed when that condition was inviolate. The whole revenue of the state was receivable in it. The annuities on the public debt were paid in it. The opposition of individuals to a system, so powerfully protected, would have been nugatory;

tory ; but the effects of that system are nearly the same as those which would have resulted to the community at large, from a plain and positive law, obliging all persons to receive Bank-notes as cash. The true test by which to try the truth of the assertion, That the circulation of Bank-notes is *free*, not *forced*, would be to withdraw the authority under which the Bank refuses to pay them in specie. If, in that case, public confidence continued to repose as securely as it is now supposed to do, then indeed might their circulation be justly said to rest on *confidence* ; but the very circumstance of continuing the power of refusing the payment proves incontestably that *authority* or *necessity*, not pure, unmixed *confidence*, forms the basis of the circulation of Bank-notes, in their present state. But some of the ardent friends of the present system scruple not to assert, that the Bank has never, for a moment, lost sight of those rules of conduct, during the suspension of issues of specie, by which they were regulated, in their prosperous days, before that suspension took place. If this be true, it affords the strongest possible reason for abandoning a restriction which, in this case, must not only be altogether unnecessary, but,

to give it no harsher epithet, is certainly derogatory to the dignity of the Bank. But while this restriction continues; while the circulating money of the country consists of paper, not unconditionally convertible into specie, and of which the issues are under no other controul than that of the corporation whose profits depend upon them, it is impossible to stifle the suspicion, that these issues may have been extended much beyond the limits by which they would have been bounded, had the Bank continued to be subjected to the salutary obligation of paying it's notes on demand. While this salutary obligation existed, every Bank-note was a true and faithful representative of Gold and Silver; and, while it preserved this legitimate title to confidence, the Public had no right to enquire into the extent of the circulation of Bank-notes; but the case is widely different indeed, when that legitimate title to confidence is suspended, and when an unprecedented rise in the prices of all the necessaries and conveniencies of life, as well as of every species of exchangeable value, indicates some great and general principle as the cause of such a revolution. Can you, Sir, or any man, assign any cause sufficiently

sufficiently general in its effects, and powerful in its operation, to account for a change so general in the prices of all, or very nearly all, articles of necessity, convenience, and luxury, as well as of every species of property or exchangeable value, within so short a space of time, except the one to which I attribute it? I by no means pretend that the high price of grain (which the general voice seems to attribute to the effect of an unfavourable season) is *solely* occasioned by the general cause of excess of paper-circulation not founded, as all paper-circulation ought to be, in the precious metals. I only contend that, if there be (as is alledged) a *real scarcity* of grain, the effects of this scarcity must be very much increased by the *general cause* which I conceive to have produced the *general rise* of the price of every thing.* Your mind must look

* *Note to the Second Edition.*—It has been stated, as a proof of the fallacy of my reasoning, that the increase of Notes is only 3-10ths, while the rise in the price of corn has been from 100 to 150. If I had argued *only* from the rise in the price of corn, and had not allowed for the effect of *scarcity*, there might have been something like force in the objection; but, applied to the reasoning which I *have* made use of, it only serves to add one instance more, to the many instances, of want of candour in my opponents.

down, with scorn, upon the stale and inadequate causes of the high price of provisions which have been assigned for it by some men, more distinguished by their station than by their acquirements. You well know that *partial causes* never can produce *general effects*. You cannot fail to have sought for a great and general cause for the solution of the phænomenon which excites the general wonder. That phænomenon, I again assert, in all probability, arises from an increase of the representative signs of money, totally disproportioned to the time in which it has been effected, and to any progress which the industry of the country can possibly have made, within that time:* and such an increase never

* *Note to the Second Edition.*—It is acknowledged by an anonymous writer, who has displayed uncommon zeal in combating my arguments, that “if the wealth of the country were so increased as to supply a circulating medium in specie, equal to the Bank-notes now in circulation, “a consummation devoutly to be wished,” its effect on the price of provisions, and other articles of use and consumption, would be precisely the same as that which Mr. B. imputes to the circulation of notes.” This Author then *admits* one of my assumptions, that the progress of industry, within the period in which the increase of Bank-notes has taken place, has not been in proportion to that increase, and thus gives all the support which

could have existed, but for the rash attempt to extend the empire of credit beyond those limits which the eternal laws of nature had marked out for it.

A great rise has taken place in the price of every species of exchangeable value, during the short period of two years. The public mind is on the rack to discover the cause of this rise, of which the most alarming effects are manifested in the great article of bread. One says, that there is a *real scarcity of grain*, which *his* admission can give, to what I have endeavoured to demonstrate, viz. that, by the stoppage of issues in specie, an extent of circulation has been introduced, which, but for that stoppage, never could have existed.

It happens whimsically enough, that the same anonymous writer insinuates, that I have endeavoured to shake the public confidence in Bank-notes, and, in the same page, acknowledges that I have declared “not only that they do possess that confidence, to the fullest possible extent, but *that they must continue to possess it.*” It is difficult to suppose that this author meant to *defend* me against his own insinuations; and yet, by imputing to me an attempt *which I have not made*, and acknowledging a *declaration, on my part, altogether incompatible with any such attempt*, he certainly does vindicate me from the charge which he has brought against me.

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owing to an uncommonly bad season, last year, and a scanty crop, this year. *How* this knowledge was acquired, I am utterly ignorant ; but as it comes from a noble Duke, high in the administration of the internal affairs of this country, it is to be presumed that it was not promulgated on slight or doubtful grounds. This, however, I must be permitted to say, that if there did exist sufficient reason to believe the scarcity to be *real*, the influence of that cause cannot have lost any of its force by the extraordinary publicity given to it.

Another says, *There is no scarcity* ; but a set of forestallers and regraters have monopolized the grain of the country, and sell it out at such prices as they think proper to fix, from time to time. He invokes the severity of the laws against those offenders, with all the illiberal virulence of the dark age which called such imaginary offenders into existence. He deploras the repeal of the good old code which delivered over such offenders to the wholesome chastisement of penal statutes, and seeks, in the common law of the land, for the means of restoring the spirit of those statutes which

which so long disgraced the jurisprudence of England. The age we live in is, fortunately, too enlightened, for such exploded notions to gain much ground; but as they have the passions and prejudices of the lower orders of the community strongly on their side, they must, particularly when sanctioned by station and fortune, tend greatly to increase the evil of scarcity and of dearth, as well as to excite a spirit of sedition of the most dangerous tendency, in the people. While I thus avow myself the irreconcilable enemy of all such public œconomy as professes to produce *plenty*, by means which lead directly to *want*, I am not the less persuaded that excessive circulation of paper must give rise to much speculation in grain as well as in every other article: But to attempt to check *Speculation* by punishing *Speculators*, is, of all the crude and impracticable fancies that ever were formed, the most hopeless and unprofitable. To draw the line between fair and honourable mercantile pursuits, and that illiberal and extorsive conduct which is too often practised under their name, requires a hand of such infinite delicacy, a touch of such exquisite nicety, as cannot fairly be expected in the ordinary practice
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of any Court of Law. In the same proscription which might be honestly intended for the ungenerous and unworthy advantages which individuals may, and do, take, of the general distress, in all probability would be involved, the fair, honourable, praise-worthy pursuits of those who, while they are promoting their own interest, actually administer to all the essential comforts of the community. To punish *Speculators* then, I consider altogether a vain and fruitless attempt. It must tend to check the efforts of enterprize and industry, which is certainly not the intention even of those who join most loudly in the cry against forestallers and regraters—Their object is to punish *improper speculation*; but they do not consider, that any *Law* which human wisdom can devise to repress the one, may, nay must, be, in a great degree, destructive of the other. But although it be my opinion that *Law* neither can, nor ought to attempt to, *regulate* speculation, I know and believe that it is perfectly within the province of the Legislature to withhold all *improper* support to speculation of any kind; and therefore that it is the duty of Parliament no longer to authorise even the possibility of an extension of the

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the means of circulation beyond those limits which the experience of a century (in perfect unison with the purest theory, as well as with every principle of good faith and common sense) had sanctioned with its approbation. The paper circulation of the country never was, nor could be, dangerous from the speculations it gave rise to, as long as the great primary wheel, which set it in motion, turned upon an axis of Gold and Silver, because the obligation to maintain that axis in a proper state of strength, formed a salutary and effectual check upon any excess in the circulation it had to support. To interfere in the exercise of the rights which the Bank of England, or the London Bankers, or the Country Banks, or the Farmers, or the Corn Dealers, or any other Class of Traders justly possess over their own credit and industry, would be impolitic, unjust, and unavailing; but to restore the currency of the country to its pristine purity, to confine it within those limits which good faith and good sense equally point out for it, is not only proper and practicable, but indispensably necessary, in order to prevent the numberless calamities which the uncontroled circulation of paper not convertible

tible into specie, must infallibly produce. To bring back the circulation of Bank-notes to the original condition of their circulation, is merely to correct an abuse which never ought to have existed. This would not be a novelty. The present system is a novelty, and one of the most dangerous tendency.*

* If I believed (as some people do) that the resumption of payments in specie at the Bank of England would embarrass Administration, I should not contend for that resumption. To recommend *any measure* which might have the effect of weakening the efforts of this country in the struggle it has to maintain, as long as such struggle is judged necessary, (whatever opinion I may individually entertain of the means of sustaining, or of the duration of that struggle) would be altogether inconsistent with the ideas of public spirit which I have ever held. It is because I feel the most complete conviction that the real resources of this country are now, and always have been, too solid and extensive to require the aid of forced paper-money, that dangerous quack-medicine, which, far from restoring vigour, gives only temporary artificial health, while it secretly undermines the vital powers of the country that has recourse to it.—It is because I am intimately convinced that the resumption of payments in specie at the Bank, *by the manner of carrying it into effect*, may be rendered perfectly consistent with the truest interests of Government, of the Bank itself, and of the Public at large, that I thus press the necessity of that resumption.

* *Note to the Second Edition.*—It is a little remarkable, that

The opinion of a third person is, That the scarcity and high price of Bread-corn proceed

that the bare proposal of restoring to Bank-notes the only quality necessary to place them on a level with Gold and Silver, should have drawn upon the author of it as great a variety and virulence of abuse, as the most unprincipled and extravagant project could possibly have given rise to. To judge from the indignation excited in certain quarters by this proposal, one would be apt to believe, that, until the suspension of issues in specie at the Bank, the financial knowledge of England had only been in its infancy; and that he who ventures even to doubt the wisdom and policy, as a permanent measure, of that suspension (which its warmest friends have only excused on the score of a temporary pressure of necessity) must be hostile to the best interests of his country. They who think so, may, no doubt, be very sincere friends to England; but in this case, they certainly do not give so encouraging a picture of the resources of the country, as he who declares that the only speck on our financial system may be easily wiped away. The friends of the system of suspension think that the Bank cannot, or ought not to pay. He who proposes the resumption of payments, believes the Bank to be perfectly able to pay, and that the truest interests of the country require that they should pay. Let an impartial public decide, which of the two opinions does most honour to the country. But the great question has always been, *how* the resumption of payments in specie can be adopted, in the present circumstances, without great danger and inconvenience?—By arresting the progress of an accumulation of paper, and introducing, by gradual and imperceptible means, the circulation of notes payable in

from a great addition made to the population of the country. How such a cause should so suddenly produce an effect of such magnitude, does, I own, exceed my comprehension. At what period the seeds of this extraordinary increase were sown, I cannot even guess; but it is necessary to suppose, that there must have been some one or two years of uncommon fecundity, in order to account for the extraordinary addition to our population which, in this particular year, has so greatly enhanced the price of corn. The progress of population, like the growth of the individual, is so gradual and imperceptible as to escape the notice of the most vigilant observer, otherwise than in its effects; and as, in the growth of an individual, it can never happen to any parent to be surprized with a child of two years old all at once starting into the dimensions of one of twelve,

specie. I never said, that the coffers of the Bank should be immediately opened without reserve. I particularly stated, that, *by the manner of carrying it into effect*, the resumption of payments in specie might be rendered perfectly consistent with the truest interests of Government, of the Bank, and of the public at large. I persist in that opinion; nor shall I ever abandon it, until I see very different arguments from any that have yet appeared against it.

fo, in my humble opinion, it is not probable that it fhould happen to any country to find its population had, in one or two years, made fuch an extraordinary fhoot as only could have been expected in half a century ; and yet fuch a fhoot it muft have made, if an increafed population be admitted as the caufe of the very high price of provifions in this particular year.

By a fourth, the high price of provifions is placed to the account of the war. This is a good general head for carrying all doubtful points to, all unappropriated difafters, all ftray calamities, and incidental difappointments of every defcription. I fhall not touch upon this extenfive fubject further than to fay, that I fee nothing in the mode of *conducting this war*, during the laft two or three years, which ought to occafion any refult affecting provifions different from what almoft all other wars, and this very war, during the firft four years of its duration, have generally produced. Whether the mode by which the means of carrying on the war have been raifed, have or have not contributed to the high price of corn as well as of every other neceffary of life, is quite another confideration, and belongs to the general object of this enquiry, which is to confider the
influence

influence of the present paper-currency on the prices of commodities in general. It is sufficient, for the present purpose of estimating the credit due to the assertion, that the high price of grain is occasioned by *the war*, to say, that no such conclusion is warranted by what has happened in other wars.

It has been reserved for me to assign, as the cause of the general rise, which almost all things have experienced, within the last two or three years (and which grain, as the article that comes most frequently in contact with money, feels the soonest and the most) the existence of a great Bank, invested with the power of issuing paper, professing to be payable on demand, but which, in fact, the Bank, which issues it, is not obliged to pay.*

Now, Sir, let it be supposed, for a moment, that the celebrated author of the *Enquiry into the Causes of the Wealth of Nations* were alive, and that his opinion were asked with regard to the cause of this revolution in prices :

* *Note to the Second Edition.*---The papers in Appendix E, from a most respectable quarter, immediately after the publication of this Letter, will show that I was not the *only person* who had seen the subject in this point of view.

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Let it be supposed, likewise, that he had been truly informed of every thing of importance that had happened, during the last four years; of the Loans that had been raised, the Taxes that had been laid, the Land-tax that had been redeemed, the Increase of Exports and Imports that had taken place, and, above all, the system of Finance which had been established, by way of throwing upon the present generation a great share of the burden which formerly used to be entailed upon posterity: but that the circumstance of the stoppage of payments in specie at the Bank, and the consequent power of *issuing*, without being obliged to *pay*, Bank-notes, had been carefully kept from his knowledge. What would the opinion of that great man be, respecting the four first great assigned causes of the high price of grain, and of their effect on the general rise of the prices of all other objects of exchangeable value? May it not be presumed, that he would say, That a scarcity of grain, produced by a bad season, is an obvious and a natural cause of the increase in the price of that article; but that the occasional high price of grain does not necessarily produce an advance in the price of all other commodities. In proof of this, he would refer you to the prices of Grain in the years 1795 and

and 1796, which, on an average, will, I believe, be found not much lower than those of 1799 and 1800;* although they were not accompanied with the general rise of all other commodities and objects of exchangeable value, which distinguishes these last two years. I need not say, what every line of his valuable work tends to show, That he would deprecate all interference on the part of Government, (whether directly, in the form of prohibition and restraint, or indirectly, through the channel of Courts of Law) with the free exercise of the industry of every man, in his own way, and that he would treat with contempt the justly exploded doctrine of the consequences of Forfeiting and Re-grating.

May it not be supposed, farther, that he would say, That any effect from an increased population must, like the cause which produced it, be *gradual*; and that no such effect could be so sensibly felt in the short space of one or two years?

He certainly would not admit that the war, though it necessarily must tend to the waste of

* See Appendix, A.

many articles of provision, and involve the country in great expence, had produced an effect on the prices of commodities, which no former war, or even a former period of the present war, had ever produced. He would find none of the assigned causes, which are *partial*, equal to the effects, which are *general*. He would naturally proceed to enquire, Whether some important cause might not have diminished the value of Gold and Silver. He would begin to suspect some astonishing increase of the *quantity* of those metals, or of their *powers*. But, although he might consider such an increase perfectly practicable, in a period of twenty or thirty years, he would know that no such immense increase could take place in the short space of three or four years, either of the metals themselves, or of their powers, by the circulation of paper payable in those metals, on demand, the only species of circulation which he did or could recommend. At this period of his enquiry, let it be supposed, that he is informed of the stoppage of the issues of specie at the Bank of England, since the 26th of February 1797, and of the permission which the Bank has since enjoyed, of issuing, *ad libitum*, without

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being bound to pay, its notes, professing to be payable, on demand.

Would he not say, that this cause is, of itself, adequate to all the extraordinary rise which had taken place? Here, he would observe, that "Circulation is not only carried on by a new wheel," but that the wheel is altogether of a different sort of materials from those of which such wheels used to be made. He would say, that not only the currency of the country had been changed from a *certain* to an *uncertain* standard, but that the *quantity* of it, in all probability, had been greatly augmented by the issuing of paper, without the obligation of paying it on demand; and that thus the prices of all objects of exchangeable value necessarily feel the influence of a *positive* degradation of the *standard*, and of a *probable* augmentation of the *quantity* of money in the country, any one of them amply sufficient to account for a considerable rise, but both united, adequate to still greater effects than any that had already been produced. He would recommend to those who are entrusted with the great interests of the country, to examine, without delay, whether or not the Directors
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of the Bank of England had yielded to the almost irresistible temptation to which they had been exposed; for he would consider, that, in all probability, those Gentlemen, far from thinking it their duty to *with-hold* the advances solicited from them, may have thought they were rendering a meritorious service to the country, by *lending liberally*, on good security, the paper-money which Parliament had invested them with the power of coining.

How indeed should the Bank-Directors ever have supposed they were doing mischief, by supplying amply with their notes the various channels of circulation (in the form of advances on loans, anticipations of the revenue, discounts to merchants, and all the endless variety of ways through which their paper comes into general use), when the executive Government of the country has, within these eight months, actually bargained with them for the loan of three millions of that paper-money, as if they had been three millions of coin, or of notes payable in coin, on demand, and that Parliament has, in consideration of the loan of that paper-money, for six years, without interest, prolonged the exclusive

charter of the Bank of England for 21 years, after the expiration of its present charter? With the impresson upon their minds, that every fresh addition to their circulating paper was a new service rendered to their country, and with the still more powerful and certain conviction that it was, at the same time, an addition to the sources of profit to the Bank, to suppose they would be restrained by the suspicion that they were doing mischief, when thus promoting what they may have considered both as a public and a private advantage, would be to expect from them a line of conduct utterly incompatible with the ideas which led to the system of issuing paper not payable on demand. If they had justly estimated the tendency of such a system; if they had thought, as it became the acting guardians of public credit to think, on that subject, they would have spurned the boon which they accepted; they would have remonstrated against the idea of a parliamentary prohibition to issue specie in payment of their notes, as a measure big with the principles of danger and ruin, instead of sheltering themselves under it, as they have done, for upwards of three years. By accepting the indulgence which that prohibition gave them, they afforded an infallible

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standard for ascertaining the depth of their conceptions.

From the first dawn of the idea of suspending the payment of their notes, as a matter of supposed necessity, to the meridian blaze of wisdom which discovered, in that suspension, a mine of wealth for the Bank and the country, the transition was natural, and the interval, which divided them, small. Are you, Sir, quite sure that this idea was exclusively *theirs*? Did you not, on the contrary, in February 1797, when all your care, as a Statesman, ought to have been to prevent any violation of public faith, admit the dangerous and delusive idea that the paper of the Bank of England, if once unfettered by the condition of being payable on demand, would amply supply the deficiency of currency, then so loudly complained of, and furnish such abundance of the means of circulation, as would facilitate loans and anticipations of the public revenue, give new life to trade and manufactures, and, above all, tend to raise the price of funded property, and, as a necessary consequence, insure to your Administration, the constant support, and unbounded devotion of the Monied Interest? For the real credit and honour

honour of that Administration (to which I have never ceased to be a friend, although I have often had occasion to lament, and, in some instances, been the victim of, its errors) I wish you could answer in the negative.

When I call to mind the conduct pursued by the Bank of England, for a considerable time previous to the suspension of the payment of its notes, there appear in it many circumstances which almost warrant the suspicion that, instead of really dreading that suspension as an evil, they rather looked to it as an advantage. At what particular period the idea of turning this real calamity into an imaginary benefit, was first conceived, it is impossible to ascertain; but it seems natural enough to conclude, that it must have speedily followed that of the supposed necessity of suspending the payment of Bank-notes. If this be true, it will account for that line of conduct which the Bank pursued for many months previous to the 26th February 1797. For, if it had been really in contemplation to reduce the means of circulation to that extreme scarcity, which might prepare the public mind for the introduction of any system, however exceptionable, that should promise relief,

relief, the Bank of England could not have acted more consistently than they did, in order to produce such an effect.* Be this as it may, I am well warranted to maintain that, unless the stoppage of the issues of specie at the Bank had been considered as a source of future facility and advantage (whether the idea originated with the Directors, or with you) not only the Bank would have pursued a different line of conduct *before* that event, but the whole of the measures which followed, would have had a different tendency from that which they evidently had. Instead of endeavouring to repair the edifice of public credit, thus shaken in its principal pillar; instead of accelerating, by every possible exertion, the resumption of the unconditional payment of its notes, the great object which engrossed the attention of the Bank, appears to have been, to accustom the Public to the more convenient doctrine, that such payment was altogether unnecessary.†

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* See Appendix B.

† Was the rise of the Exchange with Hamburgh from 36 to 38:5, which took place in the last ten months of 1797 (and which certainly was not effected without the knowledge and co-operation of the Bank) intended

In answer to all this reasoning, it may be said, that the censures I now bestow so freely upon a great public measure, taken upwards of three years ago, are mere *ex post facto* observations, and that they are, therefore, less entitled to attention than they would have been, if they had been urged at the time it was taken. To this I would reply, that in so far as an individual (whose opinion on matters of Finance had, in more countries than one, been considered of some weight)* could interfere

to shew how much better every thing went on under the system of Restriction, than under that of Freedom? The device was not without ingenuity. It is only to be regretted, that it had not rested on a better foundation.

* *Note to the Second Edition.*---The author of "a twelvepenny Answer to a three shillings and six-penny Pamphlet," says, that it is on *this* ground, I have "demanded" the "confidence" of the public in my opinion. That public will judge, whether or not I have rested my claim to confidence on any such foundation.---If *cheapness* be (as the title-page of this Pamphlet would seem to imply) the criterion of merit, this author's right of superiority over me, is incontestable; but would it not have been still more conspicuous, if he had compressed his production into a twelfth part of its present compass? It was certainly *possible* to do this, without *materially* endangering the great interests he espouses; besides, it is well known,

tere in a measure of this sort, I did, at the time, testify, in the most unequivocal manner, my decided disapprobation of the measure. On the 26th of February 1797 (the very day on which the Order of Council, for suspending the payments in specie at the Bank, was issued, and while I was altogether ignorant that any step had actually been taken) I learned, that it was in contemplation to resort to some extraordinary measure or other, in order to put an end to the run upon the Bank. Ignorant of the nature of the measure proposed, but apprehensive lest it should, in any degree, tend to the establishing of a paper-currency, not constantly convertible into cash, I wrote a letter, describing in the strongest language, the apprehensions I entertained, and painting, with all the force I could give to words, the fatal tendency of any measure of that kind.* This letter I

known, that the value of *some* things, is in the inverse ratio of their size. A certain hero says, or rather sings,

“ *My wound is great, because it is so small :*

To which it is immediately replied,

“ *Then ’twould be greater, were it not at all.*”

* See Appendix C.

addressed to a friend, who had, on many occasions, conveyed my ideas to you, and improved them with his own; entreating that he would not only shew you my letter, but support the doctrine it contained, with all that superiority of understanding for which you yourself, in common with the rest of the world, knew him to be distinguished. This friend did accordingly call upon you early the next day; but, not finding you at home, he carried my letter to a friend of yours, deservedly high in the estimation of his country, and to whom, as the official organ of the House of Commons, the subject of it could not be uninteresting. What his observations were, upon the perusal of it, I shall not now mention. Whatever they were, they came too late;* for the Order of Council was then in

* *Note to the Second Edition.*—As it has been suggested to me, and as I confess it now appears to myself, that this passage may seem to imply, that the Speaker did not perfectly approve of the measure of suspending the issues of specie at the Bank, I feel it to be incumbent upon me to say, that nothing was further from my thoughts than to convey such an idea. The terms of personal civility towards me, in which I understood that Right Hon. Gentleman expressed himself, did not warrant the supposition that

in general circulation. Why I did not, on any future occasion, take any public opportunity of manifesting my opinion, you can be at no loss to discover, when you recollect the cruel circumstances in which I was then placed, and those, still more dreadful, which have since occurred to annihilate my commercial existence in this country.* The doctrine which I now hold, I have always held; in my greatest prosperity, as in the adversity which now overwhelms me; and it is no slight proof of the purity and solidity of the principles which any man professes, that the greatest possible change of fortune makes none in those principles.

But it will perhaps be said, that the result of the labours of the Committees of both Houses of Parliament, was a general convic-

tion, that my Letter to Mr. Fordyce had, in any degree, shaken his opinion of the measure in question, which, on the contrary, I knew he considered as indispensably necessary.

† If this were the place to treat of any thing personal to myself, it would not be a difficult task to shew how much the misfortunes, which have befallen me in this country, have been connected with the great interests of the public.

tion, that the Trade and Finances of the country required a more extended circulation than that to which the mistaken conduct of the Bank had reduced it ; and that there was no better mode of obtaining that extended circulation, than by exempting the Bank from the condition of paying, on demand, the notes they might issue. Was this doctrine worthy of a great and enlightened country ?* Was it worthy of a Minister who had staked his fame upon his just conceptions of public faith, and public prosperity ? Were there, indeed, no other means of extending the circulation of the country, than by the rash and fatal resolution of authorizing a paper-currency, not convertible into specie ? Was not this *cutting*, instead of *un-tying*, the Gordian knot of the

* *Note to the Second Edition.*—To judge from the clamour which the bare proposal for restoring the ancient circulation has occasioned, one would be tempted to conclude, not only that the doctrine here reprobated is the *true national creed* on this point, but that those who differ from it, must be enemies to the country. To what I have already said on this subject, I shall only add the expression of two wishes. The first is, that the present system may be abandoned. The second is, that, if it be not abandoned, events may prove all my conclusions false, and all my apprehensions groundless.

then

then existing difficulties? *Innovation* has been the great danger against which your administration has laboured, and in many respects with success, to defend this country. But is there, in the annals of history, any innovation more remarkable or more dangerous than this was? Can any two things be more essentially different than the circulation of paper, constantly convertible into specie, and that of paper so convertible, only at the pleasure of the Corporation which issues it? — But, it will be asked, *How* could the circulation of the country be supported at all, after the extremity to which matters had been brought, on the 26th February 1797, *otherwise* than by the stoppage of issues in specie? To this I answer boldly, By the operation of *well-founded confidence alone* upon the public mind, of which so unequivocal a proof was given by the Meeting at the Mansion-House, which immediately followed the stoppage; by pursuing the same measures, under a system of uninterrupted issues of specie, which it is probable the Bank really did pursue, under that of restraint, for a considerable time after the stoppage took place; by treading back those steps, which, from December,

1795, to February, 1797, had led to the very discredit that occasioned the stoppage.* By pursuing this line of conduct, the falsified circulation of the metropolis would, in a very short time, have recovered that activity and vigour, of which it had been deprived by the starving system practised for upwards of fourteen months; and if it had regained only what it had thus been deprived of, in all probability it would have maintained that ease and plenty of currency which existed before that starving system was introduced. It might indeed have been inadequate to the purposes of buoying up the funds, in opposition to the natural effect of an immense increase of debt, and of administering to the various schemes of speculation, to which an excess of currency naturally gives birth; but, in all probability, it would have been found perfectly sufficient for all the sober purposes of rational enterprise and well-directed industry.

* See the evidence of Henry Thornton, Esq. and mine before the Committee of the Lords, on the causes which led to the Order of Council, of the 26th February, 1797. The remarkable coincidence between the opinions of two persons, who were not then even known to each other, on a subject so abstract in its nature, struck many of the friends of both parties.

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When I observed that our exchanges with foreign countries, instead of *falling* in value, upon the stoppage of the issues in specie (as might naturally have been expected), *rose* greatly above their natural level with those of other countries, I concluded that this was the salutary consequence of the circulating medium of the country (although no longer possessing its original purity) being restored to that abundance from which it had been most unnaturally and improperly reduced, and I gladly indulged the hope, that as long as the circulation should not much exceed the limits it had attained, in December 1795, the inconveniences arising from so radical a change in its *composition*, might, in a great degree, be obviated.

I rejoiced to see the great principle of Gravitation (which gives to forced paper its tendency to depreciation, as to the stone in the air, its tendency to fall) *suspended*, as it were, in favour of this Country; but I well knew, that the principle itself could not be *destroyed*. In all the various stages of improvement, which the financial situation of the country has appeared to experience (and great and
flattering

flattering indeed they have been), I have found it impossible to check the risings of dissatisfaction and distrust in my mind. When I saw the value of the funded property of the country rise full ten per cent. at the end of seven years of war; when I saw the heaviest taxes, that had ever been levied upon the subject, paid, if not without a murmur, at least without much apparent difficulty or reluctance; when I saw the amount of our exports and imports increase beyond all former example, I rejoiced most cordially in all these symptoms of national prosperity; but when I remembered that the Bank of England did not pay its notes on demand, I trembled for the safety of the edifice on which that prosperity rested.*

I have thus discharged what I felt to be a duty I owed to my country, by calling your attention, as the confidential servant of your Sovereign, more especially charged with the care of every thing that concerns the prosperity and happiness of his people, to what I conceive to be an evil of no ordinary magnitude. I am aware that there are, in my per-

* See Appendix D.

sonal situation, circumstances which, while they are unfavourable, in the extreme, to the consideration of any subject of a public nature, and particularly of one so important and intricate as that on which I have ventured to address you, tend, at the same time, to diminish much of the force which the same observations would possess, if coming from any person not so situated. But, on the other hand, I have the consolation, peculiar to the very circumstances in which I am placed, of knowing that no opinions or arguments of mine, which are not, in themselves, just and solid, can possibly make much impression upon the public mind; seeing they are altogether unsupported by those adventitious circumstances of situation which so frequently give value to opinions that otherwise would possess none.

I am not insensible of the consequences which may result to myself personally, from thus attacking a measure so generally supported by the friends of your Administration, as well as by the "countless multitude" whom either interest, or habit, or policy, or necessity has attached invariably to the views

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of the Bank of England. But these considerations have not been sufficient to repress the still stronger sense of that duty which, in all situations, and at all hazards, every good subject owes to the country that gave him birth.

I have the honour to be,

SIR,

Your most obedient

Humble servant,

WALTER BOYD.

POSTSCRIPT.

29th November, 1800.

SIR,

WHEN I stated in my letter of the 11th instant, (sent to you on Wednesday the 26th*) the peculiar obscurity of the subject

* *Note to the Second Edition.*---The original manuscript of my Letter to Mr. Pitt, was sent to him *six weeks before it was published*, with a separate note, to the following effect:—

26th November, 1800.

“ Before sending to the press, the copy of a Letter
“ which I have been writing to you, on a subject of great
“ public importance, I think it right to transmit, in the ac-
“ companying packet, the original of that Letter to your-
“ self. If the ideas contained in it be thought deserving
“ of attention, the sooner you are in possession of them,
“ the greater chance they will have of proving useful.
“ This, however, is not my *only* reason for troubling you
“ with my manuscript. I feel this mode of proceeding to
“ be necessary to my own ideas of candour and propriety.

“ I intend that the text of my Letter, when printed,
“ should be accompanied with notes, statements, and ori-
“ ginal papers, in illustration of the theory I have laid
“ down, and in support of the facts and arguments I have
“ adduced.

of circulation, I little dreamt that so early and striking a proof would be afforded of the truth of what I then advanced.

In all the newspapers of yesterday which I have seen, the report of your speech in the

“adduced. These documents, though certainly not necessary for your information, may be of great use for that of the public.”

Having received no answer of any kind, either directly or indirectly, to this Letter, nor *any intimation on the subject of it*, I submit to the candour of an impartial public, with what propriety it has been asserted so boldly, by writers, evidently devoted to Mr. Pitt, that my Pamphlet is a hostile attack upon the dearest interests of this country. Do they mean to insinuate, that *they* have discovered in it, a pernicious tendency, which that Minister could *not* discover? Or, do they mean to be understood, that, though aware of its tendency, he thought it his duty to give it at least, a *chance* of producing its effect? Or, am I to conclude, that the *sanction* which his *silence* gave to the discussion of the subject was only given, in order, at a future day, to furnish the opportunity of branding that discussion as hostile to the interests of the country? Or, has the zeal of friends, in their over-weening impatience of any thing like a *doubt* of Mr. Pitt's *infallibility*, led them to have recourse to (what I trust his own mind would have disdained) the unmanly expedient of personal invective against the author, as a substitute for argument in answer to his Letter?

House of Commons, on Mr. Tierney's motion for going into a Committee, to consider of the State of the Nation, makes you say, (what I have great difficulty to believe you ever said) by way of proving that there was not a redundancy of the circulating medium, "that Exchequer Bills bore a premium, instead of being at a discount." It appears to me altogether incomprehensible that this circumstance, which naturally offers itself as a symptom of an excess of that medium, should have been adduced by you as a proof of the reverse. After viewing it in every light, I find myself obliged to suppose, either that the newspaper report of your speech is incorrect, or that you had not sufficiently considered the argument you then used.

Exchequer Bills are payable in Bank-notes. They bear an interest of $3\frac{1}{2}$ d. per centum, per diem; and as no possible doubt can be entertained of their being punctually paid, in Bank-notes, when due, it is perfectly natural that the holders of Bank-notes should exchange, for bills of that description, the Bank-notes not immediately necessary for their current payments.

Exchequer-

Exchequer-bills form no part of the circulating medium, or ready money of the metropolis. They are, like every other species of *negotiable* paper, objects which that medium, or ready money, circulates. The circumstance, therefore, of their bearing a premium does certainly indicate a great abundance of the money or medium of circulation, since it is thus employed in purchasing them, *notwithstanding that premium*. If a scarcity of Bank-notes (or, in other words, of the circulating medium) existed, Exchequer-bills, instead of bearing a premium, would assuredly be at a discount. It does therefore appear incomprehensible how a premium upon Exchequer-bills should be considered as no proof of a redundancy of Bank-notes, while a discount on Exchequer-bills would infallibly be the consequence of a scarcity of Bank-notes. When Exchequer-bills bear a premium, their price is high. When grain rises to a certain pitch, its price is likewise high; but it certainly never entered into the conception of any person to suppose, that the high price of grain was a proof of there being no superabundance of money. It is, on the contrary, very natural to infer, from the high price of grain, as from the

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the high price of Exchequer-bills, and of every other object of exchangeable value, that money (or its representative sign) is abundant in the extreme.

These considerations cannot surely have escaped your attention, and therefore I must suppose, that your argument has been misstated; for it would be a supposition altogether unworthy of the Finance-Minister of this country, to imagine (however other men may be mistaken on such points) that he should have fallen into so palpable an error as to advance, in the great Council of the nation, in support of a conclusion, an argument which directly militates against that conclusion.

If I had been able (consistently with my feelings, under the peculiar circumstances in which I was placed) to attend my duty in Parliament on Thursday, I should not have had to trust to newspaper report only for what fell from you, in the debate of that night, and you would, consequently, have been spared the trouble of this second address.

I have the honour to be, SIR,

Your most obedient humble servant,

WALTER BOYD.



APPENDIX.

A. (See page 64.)

MONTHLY AVERAGE PRICES of Wheat, per Quarter, in England and Wales, calculated according to the Weekly Averages, as given in the London Gazette, for the whole of the Year 1795, and to the end of October 1796; and for the whole of 1799, and to the end of October 1800, being two periods of twenty-two months each.

				<i>Returns.</i>						<i>Returns.</i>		
				<i>s.</i>	<i>d.</i>				<i>s.</i>	<i>d.</i>		
1795.	Jan.	4	56	6	1799.	Jan.	4	49	6			
	Feb.	4	51	4		Feb.	4	49	11			
	March	4	59	11		March	4	50	4			
	April	4	62	2		April	4	53	5			
	May	5	64	10		May	4	60	10			
	June	4	70	1		June	5	63	11			
	July	4	84	5		July	3	65	11			
	August	4	108	4		Aug.	5	72	11			
	Sept.	4	79	0		Sept.	4	75	5			
	Oct.	5	76	9		Oct.	4	83	6			
	Nov.	4	83	9		Nov.	5	89	9			
	Dec.	4	86	3		Dec.	4	93	10			
1796.	Jan.	5	91	10	1800.	Jan.	4	94	8			
	Feb.	4	93	6		Feb.	4	101	11			
	March	4	100	0		March	5	107	11			
	April	5	84	3		April	4	111	11			
	May	4	75	7		May	5	120	2			
	June	4	80	2		June	3	126	7			
	July	5	80	11		July	4	134	10			
	Aug.	4	75	11		Aug.	5	103	5			
	Sept.	4	64	5		Sept.	4	105	10			
	Oct.	5	61	4		Oct.	4	103	2			
				<hr/>						<hr/>		
General average				77	2	General average				87	3	

B. (See page 70.)

THE following papers will serve to establish incontestably three great points alluded to in this Letter, viz.

1. *The reality of the existence of the scarcity of money in 1796, even at so early a period of that year as the 2d of April ;*
2. *The purity of the principles upon which a remedy for that scarcity was devised, and*
3. *The perfect correspondence of the doctrine relative to the operations of the Bank of England, and those of the London Bankers, as laid down in the report of the 5th of April, 1796, with the doctrine laid down in the preceding letter to Mr. Pitt of the 11th of November, 1800.*

RESOLUTIONS of a Select Meeting of Gentlemen interested in, and acquainted with the principles of, internal Circulation, held at the London Tavern, on Saturday, the 2d of April, 1796.

Sir Stephen Lushington, Bart. in the Chair.

Resolved,

Resolved,

1. That it is the opinion of this Meeting that there has existed for a considerable time past, and does exist at present, an alarming scarcity of money in the City of London.

2. That this scarcity proceeds chiefly, if not entirely, from an increase of the Commerce of this Country, and from the great diminution of mercantile discounts, which the Bank of England has thought proper to introduce in the conduct of that establishment, during the last three months.

3. That it is the opinion of this Meeting that the interruption of Commerce, by cramping the circulation, from whatever cause, is highly injurious to private credit and the interests of the publick at large (more especially in time of war) inasmuch as the revenues and resources of the country must suffer thereby.

4. That it is the opinion of this Meeting that the present scarcity of money threatens the most serious calamities; inasmuch as no Merchant, Trader or Manufacturer, can depend upon converting into Cash any of the Bills of Exchange,

which he receives in the ordinary course of his business; and that such Bills being the natural means by which the British Trader has been always accustomed to provide for the discharge of his engagements, there is the greatest reason to fear, that a longer suspension of this natural and indispensable resource, may be productive of the most fatal consequences to public and private credit.

5. That it is the opinion of this Meeting that the extraordinary reduction of the Discounts of the Bank of England does not proceed from any distrust or doubt of the solidity of the Bills presented there for discount, no suspicion of any house, except one that failed, having transpired (so far as has come to the knowledge of this Meeting) during the period of full three months that the scarcity of money has prevailed.

6. That it is the opinion of this Meeting that the circumstance of the existence of so unexampled a scarcity of money during so long a period, without any failure of note (except the one above alluded to) is a very strong proof of the general solidity of the transactions of the trade of this Country.

7. That

7. That it is the opinion of this Meeting that the measure adopted by the Bank of England, may have been deemed necessary and proper by the Directors, under the present circumstances of that establishment, and that therefore it is not probable that any representation from this meeting to the Directors of the Bank would be attended with any effect towards the relief of the trade of this country.

8. That it is the opinion of this Meeting that if means can be devised for augmenting the Circulating Medium of the Country, so as to restore it to what it was previous to the late Resolution of the Bank of England, for diminishing their discounts, without infringing the exclusive privilege of Banking granted to the Bank of England, and without violating any principle of public faith or confidence, it is the duty of every friend to the Trade of England to give such a measure the most steady and vigorous support.

9. That a Committee of seven persons be named (four of whom may be empowered to act) to digest the outlines of a plan, in conformity to the ideas suggested in the eighth resolution; and that they do report the same to this Meeting

Meeting on Tuesday morning at half past ten o'clock precisely, previous to its being communicated to the Chancellor of the Exchequer.

10. That the following Gentlemen be named a Committee for the above purpose :

The Chairman,

Walter Boyd, Esq.

Sir James Sanderson, Bart.

Mr. Alderman Anderson,

Mr. Alderman Lushington,

John Inglis, Esq.

J. J. Angerstein, Esq.

11. That a copy of these Resolutions, signed by the Chairman, be transmitted this evening to the Right Honourable the Chancellor of the Exchequer, and that the Chairman do at the same time request a conference with him on Tuesday, the 5th of April, between the hours of twelve and four.

12. That the thanks of this Meeting be given to the Chairman for his zealous conduct on this occasion.

13. That this Meeting do adjourn till Tuesday next, the 5th of April, at half past ten o'clock.

Report

Report of the Committee, drawn up by Mr. Boyd, and approved by the Meeting of the 5th April, 1796.

YOUR Committee are of opinion that, in order to place in the clearest point of view possible, the proposal they have to submit to your consideration on the subject of a remedy for the present alarming scarcity of money, it will be proper to consider previously the nature of what is understood in England by the word *money*, or, in other words, what the circulating medium of this country consists of.

It is a well-known truth, that the specie of this country is not equal to the purposes of circulating the whole value of the national industry and commerce in their present extended state. The Gold and Silver that would be necessary for that purpose, were any thing to reduce our circulation to mere specie, could not be procured without giving, as the value of it, such a portion of the national industry as would equal the addition made to the powers of the specie by the use of paper currency. If twenty millions were the total amount of our specie, and forty millions were necessary to carry on the circulation of
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the trade and industry of the country ; unless the deficiency of twenty millions could be supplied by paper currency, it would be necessary either to barter twenty millions of the produce of our industry to procure the balance, or to reduce our trade and industry to half their extent.

By the happiest exertion of the good sense of the country, in combining the effects of confidence with those of capital, the *powers* of our specie have been carried much beyond the limits fixed by its amount. By the wise introduction of a paper currency, *constantly convertible into Gold and Silver*, that currency has justly acquired all the powers which Gold and Silver possess.

The circulating medium of this city consists chiefly of Bank of England Notes, for converting which into gold and silver, when called for, the Bank keeps a large quantity of coin in its coffers, though not the full amount of the notes in circulation. The difference between the amount of the notes in circulation and the specie, kept for paying them, is a clear addition to the powers of the money of the country. This is the first great augmentation which the
circulating

circulating medium of the country receives from the combined powers of Confidence and Capital: But this is not the only one.

The sum of money which every Merchant, Trader, or Manufacturer, and indeed almost every man of whatever description, finds it necessary to keep altogether unemployed, to answer the various calls of business and expense, is generally deposited, not in his own strong box, but in the hands of his Banker; and this Banker, from being the depositary of a great number of such sums, finds, from experience, that the whole of these sums cannot, according to the natural course of things, be all wanted at once; but, on the contrary, while he possesses good credit, that a part of these deposits will fully answer all the calls that can be made upon him. He therefore employs a part of these deposits in discounting Bills of Exchange, by which means he draws a revenue from what, in the hands of his customers, would have been a dead unproductive fund. The sum he thus employs is another clear addition to the powers of the money of the country.

The ready money which Bankers keep by them to answer the calls of their customers con-

fits chiefly of Bank of England Notes, and it is a matter of curious consideration to observe the effects which the circulation of Bank Notes, and the deposit of Bank Notes with Bankers, have upon the general circulation of the country. The following supposition will illustrate their effects. If the Bank should make it a rule to keep in coin, one-third of the whole amount of their Notes in circulation, and the amount of their notes should be forty-five millions, the amount of their coin would, of course, be fifteen millions. Therefore there would be, in this case, an addition to the circulating medium of the country of thirty millions. But if twenty-one of the forty-five millions of notes are deposited with Bankers, and these Bankers keep one-third of the notes so deposited to answer the demands which may be made upon them, there will be a further addition to the powers of the circulating medium, of fourteen millions; so that, in fact, the effect on the general circulation of the country will be precisely the same, as if the Bank had circulated forty-five millions of notes, and kept only one million of coin for paying them. No Bank could ever be so imprudent as to keep so small a balance with so large a circulation, and yet by the combined effects of Confidence and Capital, and the

the intervention of the Bank, and a number of private Bankers, not only the same effects are produced to the country, but they are produced without any risk or imprudence.

Thus it appears that the chief gains of private Bankers are not (as has been often erroneously supposed) what the public Bank would gain, if they did not exist, but, on the contrary, what, but for them, would be absolutely lost to all the world.

These observations upon the combined effects of the two great Engines of circulation in this country, lead your Committee to consider whether it may not be practicable to introduce another with perfect safety, in order to supply the present deficiency occasioned by the diminution of Bank Notes.

The respect for the faith of parliament, which ought to be preserved inviolate, as well as your instructions, confine the researches of your Committee, on this occasion, to such measures as shall neither infringe the privilege of exclusive Banking granted to the Bank of England, nor violate any principle of public faith or confidence. Narrow as your Committee feels the ground

marked out for their researches, they are not without hopes that they may be successful.

The first object of enquiry seems to be, to ascertain in what the privilege of exclusive banking, granted to the Bank of England consists. By exclusive banking are we to understand dealing in Discounts? Surely not, seeing every mercantile House, however numerous its partners, is in the daily exercise of this right. Is dealing in Bullion the privilege that is not to be invaded? This cannot be the case, seeing every Merchant, every company of Merchants, are at perfect liberty to deal, and do deal in it every day.

Does the exclusive privilege consist in the purchase of Exchequer Bills and other Government securities? No, this field is open to all the world.

In what then does it consist?

The privilege of exclusive banking enjoyed, by the Governor and Company of the Bank of England, as defined by the Acts of Parliament under which they enjoy it, seems to consist in the power of borrowing, owing, or taking up
money

money on their bills or notes payable on demand; no other body politick or corporate, nor any persons united in covenants of partnership, exceeding the number of six, being permitted to borrow, owe, or take up money on their Bills or Notes payable on demand, or at any less time than six months from the borrowing thereof. In proposing therefore any new species of paper to supply the present deficiency in the quantity of circulating medium, it is indispensibly necessary that such Paper should not be payable sooner than in six months from the date of issuing it. But paper payable in six months can make no addition to the circulating medium of the country, unless means can be found to give to such paper all the qualities of ready money. This, in the opinion of your Committee, may be accomplished by the following means.

Let a Board consisting of twenty-five members be constituted by act of Parliament for the support of credit, to act without fee or reward.

Let this Board be authorised, to issue promissory Notes payable in six months from the respective dates of issuing them, together with interest at the rate of $1\frac{1}{4}$ d. per day per 100l. or 1l. 18s. per centum per annum, upon receiving the

the value in gold and silver, Bank of England notes, or in bills of exchange, having not more than three months to run.

These promissory notes will be readily taken in payment by all Bankers, Merchants, and others, if the Board be provided with a fund of ready money for exchanging such of them as may, from time to time, be presented for that purpose* ; nay, they will be preferred to cash, inasmuch as, while they remain idle, they will in fact be producing a small interest.

This ready-money-fund will easily be provided by the voluntary deposits of the Bankers, Merchants, and others, who will be happy, in order to promote the general good, (particularly when it can be done not only without loss, but even with advantage to themselves) to carry a part of their ready money to this Board, and receive a return in the new notes at six months date, which new notes, from the establishment of the fund for exchanging them, as they may be presented, will, to all intents and purposes, perform the functions of money, and thus replace the bank notes so carried to the Board. But, while, by the establishment of this Board, a new species of paper is introduced for facilitating the general

* Notwithstanding this expedient for converting these notes into ready money, Sir Francis Baring considers them as only payable "after the expiration of six months."

circulation, care must be taken that the operations of this new Board do not tend to destroy any part of the present circulating medium, which consists chiefly of bank notes.

For this purpose it is proposed that the Ready-Money-Fund, to be kept by the Board for exchanging the new notes, as they happen to be presented, shall consist of Bank of England notes and not of specie; the grand object of the establishment of this Board being merely to supply the deficiency of the circulation, as now performed by the Bank of England, and not, by any means, to diminish that circulation.

The establishment of this Board cannot, with any colour of reason, be construed into an infringement of the charter of the Bank of England;

Because,

1st. It is not a Bank established for the benefit of individuals, and interested in rivalling the Bank of England, but a Board erected for the express purpose of furnishing to trade, a temporary assistance which the Bank of England do not find it convenient, or perhaps do not think themselves

themselves sufficiently authorised, under their present powers, to give*.

2d. The notes which it is proposed this Board should issue will be not only different from those of the Bank of England in one essential point, that of bearing interest while unpaid, but their tenor will be perfectly conformable to the law laid down in the acts of parliament which grant to the Bank its exclusive privilege.

3d. So completely removed is the proposed establishment of the Board from all idea of in-croaching upon the exclusive privilege of the Bank, that the Bank itself could not more carefully guard its privilege or preserve its advantages than the present proposal does.

Not a single note of the Bank of England will be forced out of circulation by the proposed Board, beyond what the Bank itself chooses—the circulation which will arise from the establishment of the present Board will be precisely what the Bank of England does not afford—it will not be *part of the present circulation of the Bank*, which will be transferred to the Board, but a *new* circulation founded upon, and so perfectly favourable to, that of the Bank, as that Bank
notes

* Certain anonymous authors have not scrupled to represent this Board, as a Bank, intended to *rival* the Bank of England.

notes are therein considered, as the specie of the country* and the new notes only as paper-currency.

4th. The establishment of this Board, is only resorted to, on the spur of a moment, as an expedient for remedying a great national evil which threatens ruin to private credit, and which therefore must materially involve the general interests of the country.

* * * The interview with the Chancellor of the Exchequer did accordingly take place; and the Committee there learnt that it had been proposed by the Bank-Directors, as the best remedy for the scarcity of money, that the floating debt should be funded—The Minister said, that he would first try what this would do towards removing the scarcity of money; and, that if it should answer the purpose, the establishment of a Board for the support of credit would be unnecessary †.

* It had not then entered into the contemplation of the writer of this report, that Bank-notes, here considered as equivalent to specie, were, one day, to be deprived of their *only title*, to that equivalence.

† *Note to 2d Edition.*—Sir Francis Baring has not hesitated to say, that the principles of this plan were *refuted* at the time!!!

The floating debt was funded, by means of the Loan of 7,500,000*l.* which was contracted for on very liberal terms, upon the prospect held out to the contractors, of a total change of system on the part of the Bank. How this prospect was realised, the distresses of the city in the end of May 1796, can testify.

C. (See Page 73.)

Monday Morning, 2 o'Clock.

27th February, 1797.

MY DEAR FRIEND,

THE more I think, the more I am alarmed at declaring Bank-notes a legal tender, because, although the condition of their being still payable in coin, softened down very much my repugnance to the measure, I see that the inevitable consequence of such a law will be to create a very great run upon the bank, and that it will lead to the dreadful crisis of the bank itself being dispensed with paying them in coin. Should such a period arrive, I should deplore it more than any calamity that can befall this country; because, not only from my reflections on the nature of money and credit for a great part of my life, but also from what passed under my eyes in France in the year 1788*, (not a full year before the revolution), I am warranted to say, that all the absurdities of the doctrine of transubstantiation are really nothing to the *monstrous principle, that a sterile piece of paper is equal to gold*. As long as it can be converted into gold, it truly deserves the name, and performs the

* The Writer was then established as a Banker in Paris.

functions of, money. The moment it is forced upon the public, without that precious quality, it becomes a violated engagement, whose value is liable to the greatest depreciation. The effects of a forced paper-currency, on our exchanges with foreign countries, on the prices of goods and property of every kind, it is needless to enumerate to you. You cannot be ignorant of them. They lead to all the convulsions which a free and happy country ought to deprecate, as the greatest of evils.

In the year 1788, the Paris bank* was run upon. I was active in bringing coin from Flanders, and in throwing funds into the bank by every possible means. The run continued eight or ten days. The bank kept its ground, and all the coin which had been carried away was brought back again. For this time the true principles prevailed, and the bank was saved: but a few months had not elapsed until a second run was made, which lasted only a single day, because the bank-directors, with unpardonable folly, secretly solicited an order of council

* The *Caiffè d'Escompte*, a public Bank, divided into shares, with a capital of 100,000,000 *livres tournois*, equal to 4,375,000*l.* sterling, and having in circulation notes to the amount of nearly as much more.

for making their notes a legal tender, and dispensing with their paying them. The very night this order was solicited, a meeting of bankers was held, and the apparent ease which a forced circulation of notes offered, led them to agree that this was the only measure for saving themselves and the country—two individuals, one other banker * and myself excepted, who expressed the most unequivocal opposition to the project.

On no occasion did I ever take so warm a part against any measure ; and I take God to witness, I did so from the most intimate conviction that ruin must inevitably be the consequence. I lived to see all my predictions realised, and the authors of the scheme curse their blind infatuation, which had led them to propose a measure which most assuredly paved the way to that ruinous system of paper which swallowed up so many fortunes, and destroyed all the sacred respect for property in that country.

I don't say that the surmise I had from the city, of the measure in contemplation, ought to excite all these gloomy apprehensions. I hope, and believe, that I exaggerate things : but I

* Mr. Perregaux.

do assure you, that I think such a step as ever! what we talked of to-day, is big with such infinitely important consequences as to render the utmost caution and circumspection necessary before any thing is resolved upon. Depend upon it, that a step of this sort cannot be of a *neutral* kind. It must produce *great effects*, and therefore it ought to be well weighed.

Fear is apt to grasp at any thing that looks like safety; but, on that account, the counsels of *Fear* must be cautiously avoided. *Principles* must be resorted to, and above all, the natural tendency of the human mind ought to be carefully considered. This tendency ought to satisfy every man that the run upon the Bank has a much better chance of being stemmed by associations, and the exertions of public-spirited men, than by any *Law* which in the least degree encroaches upon the free and voluntary circulation of their Notes.

I am sure you will acquit me of any sinister intention in thus throwing out my ideas to you on this subject at so *late* *, or rather at so *early* an

* Written in the night between Sunday the 26th, and Monday the 27th February.

hour. The fact is, that such a measure would probably produce a temporary ease in the general circulation, and of course give *me* greater ease as to *my own* transactions : but I should ill deserve the place I hold in your esteem, if I withheld my opinion from you on a subject of this momentous kind.

As it was whispered in the city on Saturday, that the Speaker had been taking some part in this business*, I regret exceedingly that I have not the honour of being particularly known to him, because I should have taken the liberty to wait upon him on this occasion : But as you have frequently occasion to see him, you may show him this letter, if you think proper. I shall go early to the city, in order to be able to attend the House in the evening.

I am always, my dear Friend,

Your's most faithfully,

WALTER BOYD.

John Fordyce, Esq.

* I have since had occasion to know that this rumour was altogether without foundation.

D. (See page 80.)

IT may be said, that the great increase of our imports and exports, and the considerable addition made to the funded property of the country, within the last four years, fully justify the increase of the circulating medium which has taken place within that period. If the great increase of the public debt, and of our imports and exports be considered as evidence of a similar increase, in every branch of the national industry, the observation would be entitled to some weight ; but I doubt much if any man can be found hardy enough to maintain this to be the case, and at the same time able to support his opinion with arguments or evidence. The addition to the public debt is not a *new* capital, acquired by the country within the period in which that addition has been made. Only a very small part of it can possibly have been acquired within that time ; and therefore the great proportion of it must have formerly existed, under various other forms, many of them, in all probability, more favourable to the productive powers of industry than when they were converted into part of the public debt.

The real increase of the wealth and industry of the country, within so short a period as four years, must have been great beyond what the most sanguine imagination can suppose, to have added, by natural means, either four-fifths or three-tenths to the primary circulator of that wealth and industry; and if, by artificial and exceptionable means, the powers of that circulator have been augmented greatly beyond what they would have been, if no such means had been resorted to, the consequence must, of necessity, be that augmentation in the prices of commodities, which now bears so hard on all those classes of society whose revenue does not vary with those prices*.

* *Note to 2d Edition.*—The author of “*Brief Observations, on a late Letter, &c.*” in order to give “an adequate idea of the extent of the evil,” of “the exorbitant rise of provisions,” says, That the increased price of bread alone amounts to £0,800,000l. in the course of a year. I am at a loss to discover the object of this observation, unless it be to exhibit a striking contrast between the additional circulation of bank-notes (3,475,397l.) and this enormous sum of 20,800,000l. Did the author mean to insinuate that this addition to the *annual* amount of the purchases of bread required a corresponding addition to the *daily* amount of the means of circulation? The *daily* addition to the price of bread, according to this author’s calculation, is not quite 57,143l.; but the addition to the circulating medium of

3,475,397,

The total amount of the official value of all Imports into Great Britain, for the years 1794, 1795, and 1796, was £.68,213,103.

The total amount of the official value of all Exports for the same period, was £.84,390,336.

And the total amount of the official value of both Imports and Exports, for that period, was £.152,603,439.

Making an annual average of £.50,867,813.

3,475,397, is an increase of the powers of a principle *constantly* operating. To compare the addition to the purchases of bread, *for a whole year*, with the addition to the circulating medium, *operating every day of that year*, is to compare two things between which there is no natural point of comparison. But there is a degree of address in thus bringing together two sums, which, as objects of comparison, have no connection with each other; because the small one of 3,475,397l. has the chance, with inattentive minds, of being drowned in the immense one of 20,800,000l. Whether or not this may have been the author's purpose; one thing at least seems certain, that the observation, respecting the increased price of bread, must have been intended to prove that the increase of *price* required an increase of *paper*. This is a *new* way of arguing from *effect* to *cause*. The *effect* of an evil is adduced in vindication of the *cause* of it. If this doctrine gain ground, there is no saying *what measures* it may be brought to defend.

The

The total amount of the official value of all Imports into Great Britain for the years 1797, 1798, and 1799, (supposing the Imports from India to be the same for 1799 as for 1798) was £.78,817,655.

The total amount of the official value of all Exports for the same period, was £.98,499,485.

And the total amount of the official value of both Imports and Exports, for that period, was £.177,387,140.

Making an annual average of £.59,129,046, which, compared with the average of three years ending in 1796, is an increase of a little more than one-sixth of that average.

Admitting, for the sake of argument, (what I am very far from admitting, in point of fact,) that an increase of Imports and Exports under any circumstances, and particularly under the peculiar circumstances of the present war, implies a similar increase in all the other branches of national industry; and that such increase of Imports and Exports required a proportional augmentation of Bank-Notes; still, even in this

view of the subject, it will be found, that the increase of Bank-Notes greatly exceeds that of Imports and Exports, the increase of Bank-Notes being, according to one mode of estimation, in the proportion of four-fifths, and, according to another, in the proportion of three-tenths of their former amount; while the increase of Imports and Exports has only been in the proportion of one-sixth of their former amount.

Thus the very principle upon which an increase of Bank-Notes is defended, with the greatest appearance of success, is decisively against the *degree* of that increase; but a reference to the period of three years immediately preceding that which has just been considered, will show that the *principle itself* (though incontestably true with regard to the whole productive powers of the country) is, and must be, *fallacious*, when applied to *any one* branch of the national industry, as indicative of the progress of *all* the branches.

The amount of the average Imports and Exports for three years ending in 1793, was £.42,204,410.

The

The amount of the average Imports and Exports for three years ending 1796, was £.50,867,818. The average increase, therefore, was £.8,663,403, or nearly one-fifth of their former amount.

The average circulation of Bank-Notes for three years ending in 1793, was £.11,500,043.

The average circulation for three years ending in 1796, was £.11,844,216.

The average increase therefore was £.344,173, or only somewhat more than one-thirty-third part of their former amount.

* * * *

E. (See page 62.)

Extract of a Letter, dated 8th January, 1801.

“ I HAVE read with *peculiar* satisfaction Mr. Boyd’s Letter to Mr. Pitt. He says, page 60, it had been reserved for him to assign, as the cause of the general rise, the existence of a great Bank, with the power of issuing Notes without being obliged to pay them. He may be the first who has put the matter in a clear light, and in the form of a pamphlet; but the inclosed paper will shew that the same ideas occurred to others. I sent it to a daily paper, in the month of November, the Editor owned the receipt of it, but spoke with uncertainty as to inserting it in his paper, and he never has. It would afford me pleasure if it were communicated to Mr. Boyd.”

Not conscious of being actuated by the spirit of party, but struck with the calamitous state of the country, I am one of those who have endeavoured to investigate the causes of the dearness of provisions, and being on mature deliberation convinced *that the principal cause is the*

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the war, thought it a duty to promulgate that opinion.

I have since read the Reverend Mr. Brand's pamphlet, in which this is called not only an erroneous but an *inflammatory* position. I believe no person has said, that the war is the *sole* cause of the evil. Even the reverend gentleman has only taxed those whose conduct he reprobates, with asserting that it is the *leading* cause; and now after giving him all credit for the facts he builds upon and the conclusions he draws, I venture again to assert the same position, and I shall attempt to prove it. He cannot mean to say, that a war, carried on, necessarily, by sending our fleets and armies to foreign parts, does not create an extraordinary consumption of the articles of food; but finding upon a comparison of the price of wheat at different periods when this country was at peace, or was engaged in war, that the price upon an average was higher in the periods of peace than in those of war, he concludes that the extra consumption is more than balanced by other circumstances; and the use which the favourers of the war make of this, is, to maintain that the consequences of the *present war*, and the mode of conducting and supporting it, should

should not enter the consideration when we are deliberating on the means of relieving the present distress.

If Mr. Brand's facts and conclusions are to be admitted as applicable to the present and all future periods, it is the interest of the people, in as far as respects the price of provisions, that the nation should be perpetually at war—nothing is so much to be dreaded as the return of peace; but there are positions so novel and so monstrous as to carry refutation on the face of them, and these are of the number.

Mr. Brand's statements and reasoning appear to me fallacious in the application to the *present* period, which he must have seen, if he had chosen to consider the circumstances, *as distinguishable from all former periods*. Bread corn is but one of the articles of which the price is exorbitantly enhanced: in all probability *it* has risen out of proportion, because the failure of the late harvest is *real*, and has an influence undoubtedly to a certain extent. But the value and price of *every article* without exception; of every kind of provision as well as corn have risen greatly; the rents of land and of houses; the value or general market price of land.

Even

Even the *public funds* have risen ; for, though not so high as at the commencement of the war, they have risen very considerably since 1797 ; and the period from February 1797, to the conclusion of 1800, which Mr. Brand does not take into his calculation is *particularly* to be attended to. From every mouth we hear expressions of astonishment that the funds keep up, notwithstanding the vast addition to the national debt. Session after session we hear the minister boasting of the advantageous terms on which he procures the Loans. He may be assured, that according to the present system, he will be able to borrow at a less and less interest every year the war continues.

The reverse of all this was the case in *former* wars—every thing seemed to languish—every thing suffered depression in value, *except money* ; of course corn, amongst other articles, became *comparatively* cheaper. Do I then argue inconsistently, and say with the minister, that the country is in a prosperous state ? Or conclude upon Mr. Brand's data and principles, that the present war has not enhanced the price of provisions, because former wars apparently did not ? No, I am inclined to say with the poet,

The count; bloom:—a garden and a grace.

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Every

Every appearance of prosperity when rightly considered, is a symptom of approaching ruin. Every thing paradoxical and distressing is attributable to the war, or which is the same, to the modes of finance and taxation, and other means which have been resorted to in support of the war, under the specious name of supporting the credit of the country.

In former wars the extra-consumption as affecting prices, was more than counterbalanced by the increase of the value of money occasioned by the war. During the present war, especially since February 1797 (that fatal period when the Bank stopped, and when the minister converted that very stoppage into means of prosecuting the war) money has been constantly and rapidly falling in value; that fall is the consequence of the vast and sudden addition to the national debt: the immense increase of taxes which induces every person to raise the price of what he deals in as for self-protection. Above all, it is the *necessary* consequence of removing the *natural* restraint on the issue of paper money, by making the Bank of England not liable to be called upon for payment, *a privilege which unavoidably communicated itself to the country Banks, though that was not in contemplation.* Hence the great loans and

and accommodations to government and to stockholders, the facility and extension of discounts in London, and the unusual credit afforded to dealers and farmers in the country. The indundation of paper-money, and the increase of *improper credit and exorbitant confidence*, can be denied only by those who are prepared to deny whatever leads to the discovery of the true cause of the national distress. If things had been allowed to take their *natural course* the funds now at 64, would have been at 40, perhaps at 30. I say this upon what I conceive a fair comparison between the state of matters at the close of the last war and the present time. I know there are other causes for the funds keeping up besides what I have just stated; they have been bolstered in various ways, but it must have an end. The *bubble* cannot last for ever, and even while it subsists in full vigor we are in the enhancement of prices, already tasting the bitter effects of a temporising and delusive system.

I conclude then that the dearthness of the necessaries of life is owing to several concurring circumstances. 1. The late bad seasons. 2. The extra-consumption and waste by the war. 3. The taxes so suddenly and so exorbitantly augment-

ed ; and 4th, the fictitious wealth poured in upon us by the accumulation of the national debt, and the floating securities—the enlargement of paper circulation, and the encouragement to overtrading and speculation. I state these circumstances in the way of climax. The first operates least ; the second more, and the result, if I am right is what I set out with, that the war is the great and principal cause of our distress, *because the three last have sprung from the war.*

If we all participated equally or proportionably according to our former situations in this influx of *imaginary* wealth, and if this country were independent of other nations it would be of little consequence, as the nominal price of commodities would only be changed and things would soon find their level. As it is, the level will *here* be found ere long, though in the interval the misery of the labouring and inferior orders of the people will be extreme, and those whose incomes are fixed, and were formerly easy, will be reduced to poverty *for ever*. But the rise, though at length only nominal at home, will in a great degree be real, in our commerce with other nations.

Mr.

Mr. Brand supposes there has been of late years a considerable increase in the quantity of the precious metals imported from South America, and in that way accounts for the rise in the price of corn and other commodities, or in other words, for the *depreciation of money*, which he admits to have taken place; but the fact is not ascertained with sufficient accuracy. We do not hear of any rise in the countries to which the metals are supposed to have come; and we know that the precious metals in this country, instead of increasing have, within these few years decreased:—they are rising in value like every thing else.

It is not difficult to point out the remedies,—would to God it were as easy to adopt them. Let agriculture be encouraged by all the means possible:—let this war be terminated:—let the mode of taxation be changed: there is not, I say confidently, a proposition more capable of clear demonstration than that *it were better to lay a direct tax on the first necessaries of life than to continue the Income Tax as a fund of credit*. Lastly and principally, let the issue of paper-money be restrained, not at once certainly, (it would be a shock too violent) but gradually. It seems only necessary to oblige the Bank to
 pay

pay its creditors on demand *in specie*, or to recall the privilege it has enjoyed since February 1797, within a given time in which it would of itself narrow its credit and circulation.

Hampstead,
Nov. 15, 1800.

F. (*See page 52, Preface to 2d Edition.*)

SIR,

THAT your opinions are not shaken by Sir Francis Baring's observations I am confident, but I should be sorry that you were left to suppose that the opinion of any person of judgment and candor could be influenced by such a production, and still more that you were deterred from prosecuting an enquiry, on the result of which, I am convinced that the salvation of the country depends.

I really do not know in what estimation Sir Francis is held by the world in general, for as to the city, I confess I have no great respect for its judgment, nor do I ever look for liberality from that quarter. A man may understand trade and exchanges, and Bank operations, and yet be most miserably ignorant of the interests of the country. The pamphlet which Sir Francis published in 1797, on the subject of the Bank, gave me no great idea of his abilities, and I think of them now less favourably than ever, though I fancy he is entitled to credit for good intention. I would not stop to find fault with his style, though I cannot help thinking that

one who addresses the public in print should not set himself above attention to the rules of grammar. It is still more essential that he should express his meaning clearly, and on that point too Sir Francis seems to me extremely deficient.

Your declared opinion is, that the increase of Bank paper not convertible into cash is one great cause of the increase of the price of provisions, *and of every other exchangeable commodity*. The fact of increase is indisputable, and as there must be a cause, you have called upon those who do not assent to your proposition to point out *the true cause*. Has Sir Francis attempted to do it? He has *blinked* the question, and sunk entirely the *other exchangeable commodities*. If the rise of price had been upon corn only, I fancy you would not have attributed it to the Bank paper, and I think you have said so.

Sir Francis sets out with stating it as an undoubted proposition, that paper circulation pushed beyond *reasonable and proper bounds* must raise the price of all commodities, including provisions; and yet in the sequel he professes his inability to see how Bank paper can have such effect when it passes *at par*. An ignorant person of small dealings, who looks no farther than

to his getting twenty shillings in silver, when he changes a one pound note, may be excused if he stares at being told that Bank notes have suffered a depreciation, but how a great merchant like Sir Francis Baring, should in the face of the truths stated in your pamphlet, venture to assert that Bank money is really *at par*, if by that he means that there has been no depreciation, is astonishing. In the pamphlet he published in 1797, he insisted that the circulation of the Bank ought to be limited, and I gave him credit for the sagacity of foreseeing depreciation, and its consequences if there was no limitation. There was no limitation imposed, yet Sir Francis is perfectly satisfied—no harm has arisen, and yet here again he recurs to the necessity of limitation—to talk of limitation without fixing a standard or general rule is mere talk—to speak of reasonable and proper bounds without telling us what is *reasonable and proper*, is to address us as idiots caught by mere sound.

But we gather that Sir Francis does not think a circulation of fifteen millions and a half by the Bank of England unreasonable, and he affects to hold you very cheap, or as speaking against your conviction when you ascribe such important effects to the addition of three millions and a half since 1797. I have mistaken you entirely if you ever said that the Bank circulation might

not safely, nay beneficially, go to the extent it has gone, or farther ; but you have said, that all circulation uncontrouled by the obligation to pay, is dangerous ; and that the only test of whether the circulation is excessive, has been withdrawn. You complain of the quickness of the increase ; you have traced the effect which all feel and lament, to that uncontrouled and sudden increase, as one of the causes. I hold it to be impossible to disprove what you have stated while things are left in the *unnatural* state which Sir Frances does not once advert to, though it is the corner-stone of all your argument.

He tells us that it is astonishing how the transactions of this country should turn on a medium of circulation so low as fifteen millions of Bank paper, and it certainly is so, even when the specie and country notes are taken into the account. But when he states this, is it not another subject of astonishment that he should deny effect to the addition of one-fourth part of the circulating medium in the short space of four years or rather three. You stated expressly that it was to the time and the manner, and not to the quantity you ascribed the mischief.

But farther, Sir Francis has not attended at all (and I hope to be pardoned for saying you have not in your pamphlet attended sufficiently)
to

to the addition made to the circulation by the issues of the country Banks. I believe it to be out of all proportion greater than that by the Bank of England; but it is occasioned by the state of the Bank of England, and if it were checked, or the *natural* restraint restored, the country circulation would of course be checked. It is impossible to prove this, but a person must be blind, I think, who does not see it, and it is enough to prove as you do, the cause by its effects. You may again very safely defy Sir Francis Baring, or any body else, to state a cause adequate to the effects other than that you have stated, though it is certainly not the sole cause. The money-taxes, and their sudden increase, form another great cause.

Sir Francis says, you must be aware of the facility *with which* the Bank circulation may be reduced. If it be necessary to reduce the fifteen millions to ten, an addition of five millions to the annual loan will immediately produce the effect. This may be intelligible to you, though it is not to me. Sir Francis seems to suppose that every loan to government takes so much out of the circle. It seems to me perfectly absurd to state this, and that it can only be stated with a view to impose—government never requires immediate advance, but takes by instal-

f 2

ments,

ments, and gives time to prepare even for the first instalment. If it were otherwise, considering the magnitude of the loans now-a-days, the wheel of circulation must feel a temporary stop. But when a loan is paid in, does the sum remain in the Bank? Is it not immediately re-issued in a different shape? And farther, it appears to me clear as sunshine that the mode of the Bank's advancing on the scrip (on the faith of which the subscribers constantly proceed and calculate) goes instantly to affect and encrease the circulation of their paper.

Again, Sir Francis says, *If the Bank Directors launch out too far, it is a step that may be easily and almost instantly retrieved.* I should be glad to be convinced of this, but I am not to be convinced by a mere *dictum*, and Sir Francis has afforded me nothing more. There is no doubt that the Bank may very quickly narrow its circulation; but what would be the consequence of the *instantaneous* operation, I need not tell either you or Sir Francis Baring. I believe the lavish credit given to the traders of the city of London to be the great radical cause of the distress of this country; but I should be very sorry to see an attempt to cure the evil in the way Sir Francis points at; I believe it would occasion general convulsion and certain death. What would be the consequence of the Bank of Eng-
land

land at once cutting off three millions and a half by narrowing the discounts, and the country banks unavoidably following the example? Would the price of provisions instantly fall? No, that must be the work of time—the fall must be gradual or pernicious. The nation would then stand exposed to all the evils now suffered, with the addition of the resources which enable us painfully to support those evils, dried up.

Nothing can be more unfair or more silly than Sir Francis's enquiry, whether the state of the Exchange influences the Wheat Market. You never said so, but you insinuated the Exchange as one proof in a multitude of the effect of the depreciation of the currency. From one cause arise two effects, Sir Francis lets the cause remain, and argues, by supposing you to say the two distinct effects operate on each other, and he plumes himself on the discovery that it cannot be.

But the most extraordinary thing in the whole pamphlet, is his pretending not to comprehend how the encrease of the circulation should advance the price of stocks. Is there a proposition in Euclid clearer?

The confidence in the Bank it seems has never

wer been shaken, and is at this time as great as ever. Nobody ever said, or I believe thought, that the Bank was not entitled to confidence in point of solvency. But the test as to confidence is the taking off the privilege of not paying. Till that is done, it is as grossly impudent in the Bank or its abettors, to talk of being entitled to confidence, as it would be in a private person to hold such language to his creditors immediately after soliciting a letter of licence.

I shall not trouble you farther than by assuring you that I am with great respect,

Sir,

Your most obedient humble servant,

February 6, 1801.

P. S. The *Brief Observations* deserve no notice. I should say the same of Sir Francis Baring's publication, were it anonymous. The more antagonists the better. Your victory will be the more brilliant, and not the less certain, while you stand upon the rock of the phœnomenon of a *rise of every thing*, in the midst of a most expensive war, not being explicable, but upon your hypothesis.

To Walter Boyd, Esq.

Having thus communicated the observations, in support of my doctrine, of an ingenious and most respectable Correspondent, the honour of whose acquaintance I owe to the publication of my pamphlet, impartiality requires that I should likewise state an objection that has been made to it, by a gentleman of great and acknowledged ability, experience, and public spirit, whom I have long had the happiness of calling my friend. On the perusal of my Letter to Mr. Pitt, that friend wrote to me thus :—

“ 9th January, 1801.

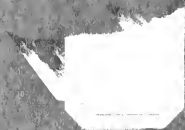
“ I received your pamphlet last night at nine o'clock. I read it before I went to bed ; I read it again this morning, and I venture to say, that it will open a discussion that will lead to great good here and abroad.

“ Approving then, as I do highly, the great luminous pictures of your pamphlet, a question occurs, which I wish you to examine ; whether, after the *assignats*, as the confiscators of the property of France, Flanders, Italy, Holland, &c. had given all its *impetus* to the Revolution, that *impetus* could have been resisted by the ordinary rules and efforts of our public credit ? I think not ; and that nothing but the combined effects of the receipt of the revenue in Bank notes, with the suspension of any large cash-issues at the Bank ; and finally, the reabsorbing powers of the Income act, could have met the original calamity of the Revolution, and have repelled it from this country to the present day.”

There is more political wisdom in this question than in any of the objections that have been made to my pamphlet. I do not, however, think it unanswerable. The *impetus* given to the Revolution by the *assignats*, was nearly *spent*, when the stoppage of issues in specie at the Bank took place. Much of the anti-social character
of

of the Revolution was done away. The horrible features which, under Robespierre, rendered it so formidable to surrounding states, and so fatal to France itself, had been much softened down, after the death of that monster in 1794. Besides, the stoppage of issues in specie at the Bank made no real addition to the financial powers of the country. On the contrary, it diminished considerably the *real efficiency* of those powers, while it introduced a *facility* in money-transactions, which has cost the country more in real comfort, and will probably cost more, in lasting expence, than any circumstance that has ever occurred. If there had been less *facility*, there would probably have been more *utility* in those transactions; money would have been more valuable, and more *valued*. The stocks would probably have been lower in *price*, but certainly not less deserving of confidence. There would perhaps have been a larger discount on floating securities; but there would have been fewer complaints of the expence of living; and, above all, the country would have had the unimpaired glory of having resisted all dangers from without, as well as from within, without the sacrifice or suspension of any one principle of public faith.

FINIS.



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